APPLICATION FOR PERMIT- 01/2022 - Edition

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification
Facility Name: Ann & Robert H. Lurie Children's Hospital of Chicago / iMRI Project
Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
County: Cook Health Service Area: 6 Health Planning Area: A-1
Applicant(s) [Provide for each applicant (refer to Part 1130.220)]
Exact Legal Name: Ann & Robert H, Lurie Children's Hospital of Chicago
Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
Name of Registered Agent: Fatema Zanzi
Registered Agent Street Address: 225 E. Chicago Avenue, Box 261
Registered Agent City and Zip Code: Chicago, IL 60611
Name of Chief Executive Officer: Thomas P. Shanley, M.D.
CEO Street Address: 225 E. Chicago Avenue
CEO City and Zip Code: Chicago, IL 60611
CEO Telephone Number: 312-227-4327
The of American American
Type of Ownership of Applicants
<u> </u>
☐ Limited Liability Company ☐ Sole Proprietorship ☐ Other
Corporations and limited liability companies must provide an Illinois certificate of good
standing.
Partnerships must provide the name of the state in which they are organized and the name and
address of each partner specifying whether each is a general or limited partner.
i
APPEND OCCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE
APPLICATION FORM.
Drimone Contact (Descent to seeing All assessment to a
Primary Contact [Person to receive ALL correspondence or inquiries]
Name: Ann Sherline
Title: Senior Associate General Counsel
Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611
Telephone Number: 312-227-4312
E-mail Address: asherline@luriechildrens.org
Fax Number: 312-227-9532
Additional Contact [Person who is also authorized to discuss the application for permit]
Name: Ralph Weber
Title: Consultant
Company Name: Weber Alliance
Address: 920 Hoffman Lane, Riverwoods, IL 60015
Telephone Number: 847-791-0830
E-mail Address: mweber90@gmail.com
Fax Number: None

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD **APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

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CEO Street Address; 225 E. Chicago Avenue
CEO City and Zin Code: Chicago, IL 60611
CEO City and Zip Codd: Cittle Sol
CEO Telephone Number: 312-227-4327
Type of Ownership of Applicants
✓ Non-profit Corporation ☐ Partnership ☐ For-profit Corporation ☐ Governmental
Governmental Governmental Governmental Other
Limited Liability Company Sole Proprietorship Other
Corporations and limited liability companies must provide an Illinois certificate of good
standing. o Partnerships must provide the name of the state in which they are organized and the name and
address of each partner specifying whether each is a general or limited partner.
address of each parties speenying was an
CONTROL TED THE LAST PAGE OF THE
APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE
APPLICATION FORM
Primary Contact [Person to receive ALL correspondence or inquiries]
Name: Ann Sherline
Title: Senior Associate General Counsel
Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago Company Name: Ann & Robert H. Span 261, Chicago H. 60611
Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611
Telephone Number: 312-227-4312
E-mail Address: asherline@luriechildrens.org
Fax Number: 312-227-9532 Additional Contact [Person who is also authorized to discuss the application for permit]
Additional Contact [Person who is also authorized to discuss the approximation and a
Name: Ralph Weber
Title: Consultant
Company Name: Weber Alliance
Address: 920 Hoffman Lane, Riverwoods, IL 60015
Telephone Number: 847-791-0830
E-mail Address: mweber90@gmail.com
Fax Number: None

Post Permit Contact [Person to receive all correspondence subsequent to permit issuance-THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960] Name: Ann Sherline Title: Senior Associate General Counsel Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611

Site Ownership
[Provide this information for each applicable site]
Exact Legal Name of Site Owner: Ann & Robert H. Lurie Children's Hospital of Chicago
Address of Site Owner: 225 E. Chicago Avenue, Chicago, IL 60611
Street Address or Legal Description of the Site: Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation
attesting to ownership, an option to lease, a letter of intent to lease, or a lease.
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE

Operating Identity/Licensee

Telephone Number: 312-227-4312

Fax Number: 312-227-9532

E-mail Address: asherline@luriechildrens.og

[Provid	le this information for each applical	ble facility and	insert after this page.]		
Exact	Legal Name: Ann & Robert H. Lurie	e Children's Ho	ospital of Chicago	<u> </u>	
Addres	ss: 225 E. Chicago Avenue, Chicago	o, IL 60611			
	Non-profit Corporation For-profit Corporation Limited Liability Company		Partnership Governmental Sole Proprietorship		Other
0	Corporations and limited liability of Partnerships must provide the national partner specifying whether Persons with 5 percent or great ownership.	ame of the state each is a gene	e in which organized and the eral or limited partner.	e name and a	address of
APPEN	D DOCUMENTATION AS ATTACHMENT	3, IN NUMERIC S	EQUENTIAL ORDER AFTER TH	E LAST PAGE C	OF THE

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS <u>ATTACHMENT 4.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

	7		
- 1	Page		
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Flood	Plain	Requ	uirem	ents
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[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. This map must be in a readable format. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (http://www.hfsrb.illinois.gov). NOTE: A SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM has been added at the conclusion of this Application for Permit that must be completed to deem a project complete.

APPEND DOCUMENTATION AS <u>ATTACHMENT 5.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Re	esources	Preservation	Act	Requirements
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[Refer to application instructions.] Provide documentation regarding compliance with the requirements of the Historic Resources APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. [Check	Project Classification those applicable - refer to Part 1110.20 and Part 1120.20(b)]
Part 1	110 Classification :	
	Substantive	
X	Non-substantive	

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The project is the purchase and installation of an intraoperative Magnetic Resonance Imaging machine (iMRI) on the 7th floor of Ann & Robert H. Lurie Children's Hospital of Chicago, and construction of three surgical procedure rooms on the 6th floor. Also included is relocation of the GI motility service from the 7th floor to expanded space on the 6th floor. Modernization of space required to support the iMRI results in the reduction of an existing operating room. As a result of the project, the number of operating rooms will be reduced from 21 to 20, with an increase in surgical procedure rooms from the current none to three. The modernization work totals 17,537 departmental gross sq ft, including 9,070 sq ft of clinical space and 8,467 sq ft of non-clinical space.

The address of the project is 225 E. Chicago Avenue, Chicago. The co-applicants are Ann & Robert H. Lurie Children's Hospital of Chicago and Children's Hospital of Chicago Medical Center.

Total capital cost is \$27,741,365. The project is being funded with cash and securities.

Construction will be started in the fall of 2022. The completion date of the project is August 31, 2024.

The project is considered Non-Substantive. It does not establish a new service and it does not increase the inpatient bed capacity of the hospital.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

USE OF FUNDS			TOTAL
	CLINICAL	NONCLINICAL	
replanning Costs		++	
ite Survey and Soil Investigation		 +	
ite Preparation			
Off Site Work		 	
lew Construction Contracts			
Modernization Contracts			
Contingencies		 	
Architectural/Engineering Fees			
Consulting and Other Fees		 	
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS			TOTAL
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No Purchase Price: \$ Fair Market Value: \$
The project involves the establishment of a new facility or a new category of service Yes No
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.
Estimated start-up costs and operating deficit cost is \$225,258 .
Project Status and Completion Schedules
For facilities in which prior permits have been issued please provide the permit numbers.
Indicate the stage of the project's architectural drawings:
☐ None or not applicable ☐ Preliminary
Anticipated project completion date (refer to Part 1130.140): August 31, 2024
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):
Purchase orders, leases or contracts pertaining to the project have been executed Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
Financial Commitment will occur after permit issuance.
APPEND DOCUMENTATION AS <u>ATTACHMENT 8.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.
State Agency Submittals [Section 1130.620(c)]
Are the following submittals up to date as applicable?
 ☑ APORS ☑ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
All reports regarding outstanding permits Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Not Reviewable Space [i.e. non-clinical]: means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; petient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and mesonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers. [20 ILCS 3960/3]

	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical		_					
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical			<u></u>	_			
NON- REVIEWABLE							
Administrative				<u> </u>	<u> </u>		
Parking							
Gift Shop						<u> </u>	
Total Non-clinical	 -						
TOTAL	A DOMESTIC AND A	J-450-0110-01200-0401				<u> </u>	

APPEND DOCUMENTATION AS <u>ATTACHMENT 9.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest Calendar Year for which data is available. Include observation days in the patient day totals for each bed service. Any bed capacity discrepancy from the Inventory will result in the application being deemed incomplete.

FACILITY NAME: Ann & Robert H. Lurie CITY: Chicago Children's Hospital of Chicago							
REPORTING PERIOD DATES	S: Fro	om: January	1, 2020 to: D	ecember 31, 2	2020		
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds		
Medical/Surgical							
Obstetrics							
Pediatrics	128	5,178	33,709	0	128		
Intensive Care	160	3,247*	32,139	0	160		
Comprehensive Physical Rehabilitation							
Acute/Chronic Mental Illness	12	523	3,636	0	12		
Neonatal Intensive Care	64	487	19,178	0	64		
General Long-Term Care							
Specialized Long-Term Care							
Long Term Acute Care							
Other ((identify)							
TOTALS:	364	9,435*	88,662	0	364		

Admissions include 3,247 direct admissions to ICU, but do not include 318 transfers to ICU from within Lurie Children's Hospital. 2,296 patient days associated with these 318 transfers are included in the patient days total of 88,662.

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist):
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Ann & Robert H. Lurie Children's Hospital of Chicago in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

Thomas P. Shanley, M.D. PRINTED NAME

President and Chief Executive Officer PRINTED TITLE

Notarization: Subscribed and sworn to before me this 134 day of TUNE, 2022

Signature of Notacy

Seal

OFFICIAL SEAL LORNA K BROWN **NOTARY PUBLIC - STATE OF ILLINOIS**

MY COMMISSION EXPIRES:09/02/24 EXACT Legal game of the at

Brenda Davis PRINTED NAME

Interim Chief Financial Officer PRINTED TITLE

Notarization: Subscribed and sworn to before me this 13th day of JUNA, 2022

Signatur

Seal

OFFICIAL SEAL LORNA K BROWN NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:09/02/24

CERTIFICATION -- CO-APPLICANT

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Children's Hospital of Chicago Medical Center in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

SIGNATURE
SIGNATURE
SIGNATURE
SIGNATURE

Brenda Davis
PRINTED NAME

PRINTED NAME

President and Chief Executive Officer Interim Chief Financial Officer
PRINTED TITLE
PRINTED TITLE

Notarization:

Subscribed and sworn to before me this 13th day of Tune, 2022

Notarization:

Subscribed and sworn to before me this 12th day of Tune, 2022

Zome K Brown Zome K Bever

Signature of Notary

Seal

OFFICIAL SEAL

Seal

OFFICIAL SEAL

Seal OFFICIAL SEAL Seal LORNA K BROWN
LORNA K BROWN
NOTARY PUBLIC - STATE OF ILLINOIS
*Insert the MX COMMISSION EXPIRES:09/02/24

SECTION II. DISCONTINUATION

N/A. THE PROJECT DOES NOT INVOLVE DISCONTINUATION.

This Section is applicable to the discontinuation of a health care facility or the discontinuation of more than one category of service in a 6-month period. If the project is solely for a discontinuation of a health care facility the Background of the Applicant(s) and Purpose of Project MUST be addressed. A copy of the Notices listed in https://www.ilga.gov/legislation/ilcs/documents/002039600K8.7.htm

Criterion 1110.290 – Discontinuation

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

- 1. Identify the categories of service and the number of beds, if any that are to be discontinued.
- 2. Identify all the other clinical services that are to be discontinued.
- 3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
- 4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
- 5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be maintained.
- 6. Provide copies of the notices that were provided to the local media that would routinely be notified about facility events.
- 7. For applications involving the discontinuation of an entire facility, provide copies of the notices that were sent to the municipality in which the facility is located, the State Representative and State Senator of the district in which the health care facility is located, the Director of Public Health, and the Director of Healthcare and Family Services. These notices shall have been made at least 30 days prior to filing of the application.
- 8. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation.

REASONS FOR DISCONTINUATION

The applicant shall state the reasons for the discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.290(b) for examples.

IMPACT ON ACCESS

- 1. Document whether the discontinuation of each service or of the entire facility will have an adverse effect upon access to care for residents of the facility's market area.
- 2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within the **geographic service area**.

APPEND DOCUMENTATION AS <u>ATTACHMENT 10</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

1110.110(a) - Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

- A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
- 2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
- For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
 - a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.
 - b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.
 - A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.
 - d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.
 - A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.
- 4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- 5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant can submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

- Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
- 2. Define the planning area or market area, or other relevant area, per the applicant's definition.
- Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
- 4. Cite the sources of the documentation.
- Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
- Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

Identify <u>ALL</u> the alternatives to the proposed project:

Alternative options must include:

- A) Proposing a project of greater or lesser scope and cost;
- Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
- Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
- D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.
- The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST.

PAGE OF THE APPLICATION FORM.

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SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

- Document that the amount of physical space proposed for the proposed project is necessary and not
 excessive. This must be a narrative and it shall include the basis used for determining the space and
 the methodology applied.
- 2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.
 - The project involves the conversion of existing space that results in excess square footage.
 - Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT						
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?		
				18:50		

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB <u>has established</u> utilization standards or occupancy targets in 77 III. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. A narrative of the rationale that supports the projections must be provided.

A table must be provided in the following format with Attachment 15.

	UTILIZATION								
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?				
YEAR 1									
YEAR 2									

APPEND DOCUMENTATION AS <u>ATTACHMENT 15,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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UNFINISHED OR SHELL SPACE:

N/A. THERE IS NO SHELL SPACE IN THE PROJECT.

Provide the following information:

- Total gross square footage (GSF) of the proposed shell space.
- 2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
- 3. Evidence that the shell space is being constructed due to:
 - a. Requirements of governmental or certification agencies, or
 - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
- 4. Provide:
 - a. Historical utilization for the area for the latest five-year period for which data is available; and
 - b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

- 1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
- 2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
- 3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

- Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:
- 2. Indicate changes by Service:

Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms

3. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

Project Type	Required Review Criteria			
New Services or Facility or Equipment	(b) - Need Determination - Establishment			
Service Modernization	(c)(1) - Deteriorated Facilities			
	AND/OR			
	(c)(2) - Necessary Expansion			
	PLUS (c)(3)(A) – Utilization – Major Medical Equipment			
	OR			
	(c)(3)(B) - Utilization - Service or Facility			
TAPPEND DOCUMENTATION AS ATTACHMENT 3	1, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE			

The following Sections <u>DO NOT</u> need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds Review Criteria
- Section 1120.130 Financial Viability Review Criteria
- Section 1120.140 Economic Feasibility Review Criteria, subsection (a)

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable [Indicate the dollar amount to be provided from the following sources]:

\$27,471,365	a) Cash from	n and Secu financial ir	rities – statements (e.g., audited financial statements, letters astitutions, board resolutions) as to:
		1)	the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
		2)	interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
	show gros	wing anticip	anticipated pledges, a summary of the anticipated pledges pated receipts and discounted value, estimated timetable of and related fundraising expenses, and a discussion of past
	c) Gifts	s and Bequ	ests - verification of the dollar amount, identification of any se, and the estimated timetable of receipts;
	time	period, va anticipated	ment of the estimated terms and conditions (including the debt riable or permanent interest rates over the debt time period, and repayment schedule) for any interim and for the permanent osed to fund the project, including:
		1)	For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
		2)	For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
		3)	For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
		4)	For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
		5)	For any option to lease, a copy of the option, including all

	terms and conditions.
	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$27,471,365	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS <u>ATTACHMENT 34</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better

2. All the project's capital expenditures are completely funded through internal sources

The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent

4. The applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION'AS <u>ATTACHMENT 35</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical Projected 3 Years				
Enter Historical and/or Projected					
Current Ratio					
Net Margin Percentage					
Percent Debt to Total Capitalization					
Projected Debt Service Coverage					
Days Cash on Hand					
Cushion Ratio					

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS <u>ATTACHMENT 36</u> IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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Page	

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A portion or all the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- That the selected form of debt financing for the project will be at the lowest net cost available;
- That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

 Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

CO	ST AND G	ROSS SC	UARE FE	ET BY D	EPARTM	ENT OR SE	RVICE	
Α	В	С	D	Ε	F	G	Н	Total Cost
Cost/Squ	are Foot Mod.	Gross New	Sq. Ft. Circ.*	Gross Mod.	Sq. Ft. Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	(G + H)

Contingency

Department (list below)

TOTALS

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS <u>ATTACHMENT 37</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

^{*} Include the percentage (%) of space for circulation

SECTION X. SAFETY NET IMPACT STATEMENT

N/A. THE PROJECT IS NON-SUBSTANTIVE.

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for <u>ALL SUBSTANTIVE PROJECTS</u> <u>AND PROJECTS TO DISCONTINUE HEALTH CARE FACILITIES</u> [20 ILCS 3960/5.4]:

- 1. The project's material impact, if any, on essential safety net services in the community, *including the impact on racial and health care disparities in the community*, to the extent that it is feasible for an applicant to have such knowledge.
- 2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
- 3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

- 1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
- 2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
- 3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 37.

	CHARITY CARE		
Charity (# of patients)	Year	Year	Year
Inpatient	2.25		
Outpatient			70.00
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total	12.823		
	MEDICAID Year	Year	Year
Medicaid (# of patients)		Year	Year
		Year	Year
Medicaid (# of patients)		Year	Year
Medicaid (# of patients) Inpatient Outpatient		Year	Year
Medicaid (# of patients) Inpatient Outpatient Total		Year	Year
Medicaid (# of patients) Inpatient Outpatient Total Medicaid (revenue)		Year	Year

APPEND DOCUMENTATION AS <u>ATTACHMENT 38</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. CHARITY CARE INFORMATION

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

- 1. All applicants and co-applicants shall indicate the amount of charity care for the latest three audited fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
- 2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
- 3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a thirdparty payer (20 ILCS 3960/3). Charity Care <u>must</u> be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

	CHARITY CARE		
	Year	Year	Year
Net Patient Revenue		_	
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS <u>ATTACHMENT 39</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

APPLICATION FOR PERMIT- 01/2022 - Edition

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is located in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

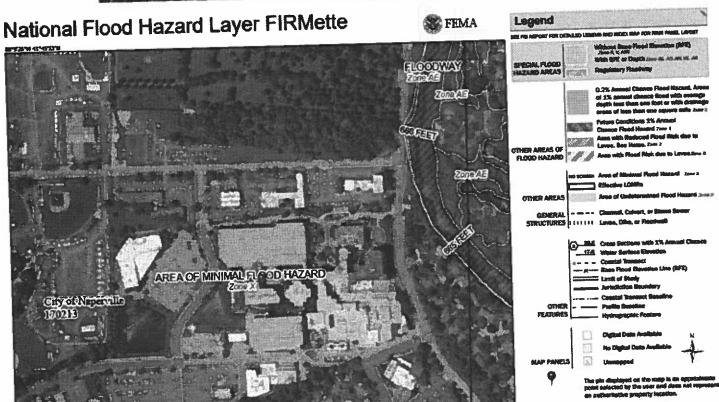
(Name)			(Address)	
(City)	(State)	(ZIP Code)	(Telephone Number)	
Project Location:				
	(Address)		(City) (State)	
(County)		(Township)	(Section)	
Center website (ht a map, like that sh	tps://msc.fema.gov/portal/ own on page 2 is shown, s	<u>home)</u> by entering the add select the Go To NFHL Vi	mapping using the FEMA Map Service ress for the property in the Search bar. If ewer tab above the map. You can print a of the page. Select the pin tool icon	
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If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

Floodplain Map Example

The image below is an example of the floodplain mapping required as part of the IDPH swimming facility construction permit showing that the swimming pool, to undergo a major alteration, is outside the mapped floodplain.





After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS			
ACHMENT		PAGES	
NO.	Applicant Identification including Certificate of Good Standing	28-29	
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2	Persons with 5 percent or greater interest in the licensee must be		
3	identified with the % of ownership.	36	
4	Organizational Relationships (Organizational Chart) Certificate of		
4	Good Standing Etc.	37	
5	Flood Plain Requirements	38-39	
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11	Background of the Applicant	48-58	
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		67	
14	Desired Consider Hillipotion	68-70	
	Project Service Utilization Unfinished or Shell Space	NA	
16	Assurances for Unfinished/Shell Space	NA	
17_	Assurances for Offinished/Offen Opacc		
	Service Specific:	NA	
18		NA	
19		NA	
30	Acute Mental Illness	NA	
21		NA	
22		NA	
23	1 · · · · · · · · · · · · · · · · ·	NA	
23		NA	
25		NA_	
26		NA	
27		NA	
28	the second of th	NA	
29		NA	
30	Clinical Service Areas Other than Categories of Service	71-75	
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32		NA	
	Financial and Economic Feasibility:	76-127	
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39	Flood Plain Information	127-140	

File Number

0666-373-7



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of

Business Services. I certify that

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 27, 1894, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set

my hand and cause to be affixed the Great Seal of the State of Illinois, this 2ND

day of MARCH A.D. 2022

Authentication #: 2206101502 verifiable until 03/02/2023

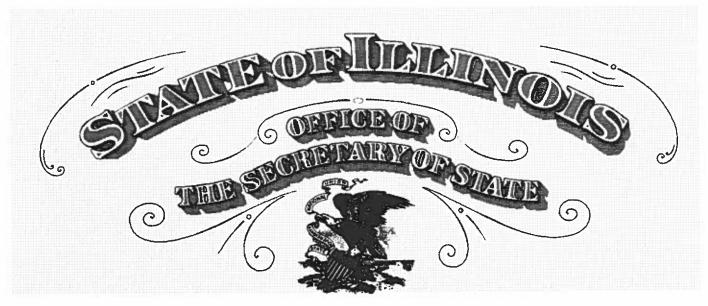
Authenticate at: http://www.ilsos.gov

Desse White

SECRETARY OF STATE

File Number

5367-793-2



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of

Business Services. I certify that

CHILDREN'S HOSPITAL OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 13, 1984, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set

my hand and cause to be affixed the Great Seal of the State of Illinois, this 25TH day of MARCH A.D. 2022 .

Authentication #: 2208403454 verifiable until 03/25/2023

Authenticate at: http://www.ilsos.gov

Desse White

SECRETARY OF STATE

Site Ownership

Proof of Ownership or Control

QUITCLAIM DEED

THIS INSTRUMENT PREPARED BY: THOMAS L. HEFTY MCDERMOTT, WILL & EMERY LLP 227 WEST MONRUE STREET CHICAGO, DAINNIS 60606

THIS INSTRUMENT IS EXEMPT FROM LAXATION PURSUANT TO 35 ILCS 20031-45(e) OF THE REAL ESTATE CRANNER TAX ALT

BUYERSHILEWAGEND

PROPERTY ADDRESS AND PIN:

213 ENTITHERAGOAVENUE Chicago, H. 60610

17-10-200-014-0000 17-10-200-015-0000

17-10-200-030-0000

17-10-200-031-0000 17-10-200-034-0000

17-10-200-035-0000

17-18-200-036-0060

17-10-200-037-00to

17-10-200-038-0000 17-10-200-039-00(a)

17-10-200-051-00(K)

17-10-200-052-0000

Doc#: 0711333008 Fee: \$34.00 Eugene "Gene" Moore RHSP Foe:\$10.00 Cook County Records: of Deeds Dete: 04/23/2007 07:25 AM Pg: 1 al 6

The above Space for Recorder's Use Only!

NORTHWESTERN MEMORIAL HOSPITAL, an Illinois not-for-profit corporation, whose address is 251 East Huron Street. Chicago, Illinois 60611-3746 ("Grantor"), for and in consideration of TEN AND NO/100 DOLLARS (\$10.00) and other good and valuable consideration in hand paid, CONVEYS and QUITCLAIMS to THE CHILDREN'S MEMORIAL HOSPITAL, an Illinois not-for-profit corporation, whose address is 2300 ('hildren's Plaza, Chicago, Illinois 60614 ("Grantee"), all of Grantor's right, title and interest in and to the real estate situated in the City of Chicago. Cook County in the State of Illinois (the "Property") legally described on Exhibit A attached to and made a part of this instrument by this reference.

TO HAVE AND TO HOLD THE PROPERTY FOREVER, PROVIDED, that by delivering, accepting and recording this instrument, Grantor and Grantee give notice to any person taking any interest in the Property that the Property is subject to the obligation to reconvey the Property to Grantor, upon the occurrence of certain contingencies, pursuant to Section 4.7 of a certain Development Agreement among Grantor, Grantee and others, dated as of March 9, 2007.

[Signature on the following page.]

ROS IDISTINATION OF THE PARTY INVOICE

Box 400-CTCC

This Quitclaim Deed is signed this 17 day of 2007.
NORTHWESTERN MEMORIAL HOSPITAL, an Illinois not-for-profit corporation
By Yan M. Harrison
Citle: President and Chief Executive Offices

After Recording Return to:

e salente megie auffacts MISS

Drinker Biddle Gardner & Carton 191 North Wacker Drive Chicago, Illinois 60606 Attention: Michael Csar

Send Subsequent Tax Bills to:

The Children's Memorial Hospital
Attention: (CF) CT
2300 Children's Plaza
Chicago, Illinois 60614

ATTACHMENT 2

TATE OF)
] SS .
COUNTY OF
i, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO
HEREBY CERTIFY that DEAN HARRISON , personally known to me to
be the Tresident CEO of NORTHWESTERN MEMORIAL HOSPITAL, an Illinois not-
for-profit corporation, and personally known to me to be the same person whose name is
subscribed to the foregoing instrument, appeared before me this day in person and acknowledged
that as such Detas HARILISON, he'she signed, scaled and delivered said instrument as
issident. ('EO of said corporation, pursuant to authority, given by the Board of Directors
of said corporation as his/her free and voluntary act, and as the free and voluntary act and deed
of said corporation, for the uses and purposes therein set forth.
Given under my hand and official seal, this 17 day of 4001.
OFFICIAL SEAL ANGELA CAMPHOR NOTARY PARLIC - SYATE OF ILLINOIS
My Commission Expires:
15/08/08

COMMENT OF A REPORT MICE.

Exhibit A to Quitclaim Deed Legal Description

PARCEL 1

LOT 10 IN OWNER'S PLAT OF LOTS 4 TO 18, OF OGDEN AND LOMBARD'S SUBDIVISION, TOGETHER WITH THE NORTH 25 FEET THERETO ADJOINING SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED DECEMBER 6, 1889 AS DOCUMENT NUMBER 1194259, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

LOTS 11, 12, AND 13 IN OGDEN AND LOMBARD'S SUBDIVISION OF ACCRETIONS EAST OF AND ADJOINING LOT 12 IN LEGG'S SUBDIVISION OF BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO IN SECTION 1D, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

ALSD

LOTS "R". "S' AND "T" IN LILL'S CHICAGO OREWERY COMPANY'S SUBDIVISION IN BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO IN SECTION 10, TOWNSHIF 39 BORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

Parcel 3: Intentionally Omitted.

PARCEL 4:

LOTS 8. 9, 14, 15, AND 16 IN OWNER'S PLAT OF LOTS 4 TO 18, IN OGDEN AND LOMBARD'S SUBDIVISION OF THE ACCRETIONS EAST AND ADJOINING LOT 12 IN BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO, TOGETHER WITH THE 25 FEET LYING NORTH AND ADJOINING THERETO BEING LOTS 'K' TO 'Y' OF LILL'S CHICAGO BREWERY COMPANY'S SUBDIVISION OF PART OF SAID BLOCK 54 AND ACCRETIONS THERETO IN SECTION 10. YOWNSHIP 39 NORTH, RANGE 14. EASY OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINDIS.

PARCEL 5:

LOTS 4 AND 5 IN OWNER'S PLAT OF LOTS 4 TO 18 IN OGDEN AND LOMBARD'S SUBDIVISION OF THE ACCRETIONS EAST AND ADJOINING LOT 12 IN BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO, TOGETHER WITH THE 25 FEET LYING NORTH AND ADJOINING THERETO, IN SECTION 10. TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY. ILLINOIS.

PARCEL 6:

LOTS 1 AND 2 IN SWING'S SUBDIVISION OF PART OF BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO. IN SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN. IN COOK COUNTY, ILLINDIS.

THE CONTRACTOR OF THE PROPERTY AND PROPERTY

PARCEL 7

LOTS 23 TO 30 BOTH INCLUSIVE IN LILL'S CHICAGO BREWERY COMPANY'S SUBDIVISION IN BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO, IN SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 8:

EASEMENT FOR THE BENEFIT OF PARCELS 1 THROUGH 7 AS CREATED BY DECLARATION OF EASEMENTS AND AGREEMENTS RECORDED AS DOCUMENT 25950375 FOR INGRESS AND EGRESS TO AND FROM THE EAST - WEST PUBLIC ALLEY AND THE EASEMENT AREA FOR VEHICULAR WAITING AND TURN AROUND, VEHICULAR ACCESS TO THE TRUCK LOADING DOCKS AS DESCRIBED IN AFORESAID INSTRUMENT.

[End of Exhibit A]

rebe titte tie tit fa. big tom."...

File Number

0666-373-7



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 27, 1894, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set

my hand and cause to be affixed the Great Seal of the State of Illinois, this 2ND day of MARCH A.D. 2022 .

Authentication #: 2206101502 verifiable until 03/02/2023
Authenticate at: http://www.ilsos.gov

Desse White

SECRETARY OF STATE

Children's Hospital of Chicago Lurie Children's Foundation, Inc. 6 Department Chairs and the President of Lurie governing board seats; all FPP board members Company, Ltd are employees of a wholly owned subsidiary of Lurie Children's Board of Directors appoints all consolidated into financials of the Med Center Insurance Ann & Robert H. Lurie Surgical CMMC Independent practice association governed ("LCSF") Corporate Members of the CIN, with the Wholly owned subsidiary of the Medical the Medical Center; FPP financials are Children's, which are 7 of the 10 FPP by a board of community physicians Medical Center owning 95+% of the membership interests of the CIN Center that employs physicians Care Coordination, Lurie Children's Health Partners Pediatric Anesthesia Lurie Children's Associates ("LCPAA") Almost Home Children's Hospital of Chicago Faculty Children's Hospital of Chicago Practice Plan, Inc. ("FPP") Ann & Robert H. Lurie Children's Hospital of "Medical Center" ("Lurie Children's") Medical Center Integrated Network, LLC Lurie Children's Health ĺ Partners Clinically ı (taxable entity) ("CIN") Corporate Overview 95+% Pediatric Faculty Foundation, Inc. ("PFF") Hospital of Chicago Ann & Robert H. Lurie Children's Foundation Lurie Children's Medical Group, LLC ("LCMG") Children's Community Physician's Association (community physicians) Updated August 2021 Research Institute Stanley Manne Children's Lurie Children's Primary Care, LLC ("LCPC") Attachment 4 37

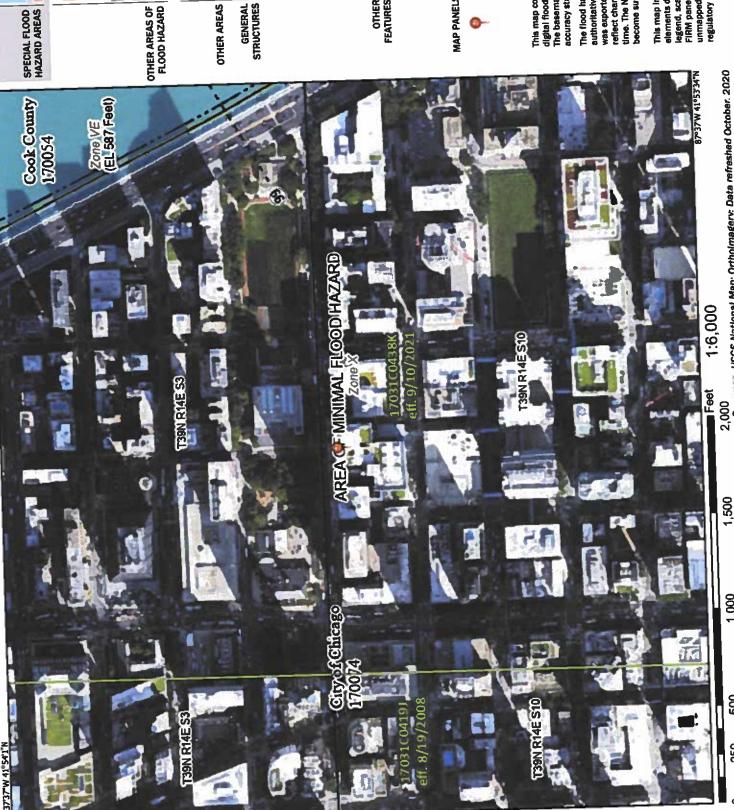
Flood Plain Requirements

The map on the next page shows the FEMA National Flood Hazard Layer FIRMette for the site location 225 E. Chicago Avenue, Chicago. The site is located in Panel 17031C0438K, effective 9/10/2021. This area contains part of the Streeterville area of the City of Chicago and the Northwestern Campus, adjacent to Lake Michigan.

The map labels the area as an "Area of Minimal Flood Hazard."

Vational Flood Hazard Layer FIRMette





Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

Without Base Flood Elevation (BFE)

With BFE or Depth Zone AE, AO, AH, VE, AR Regulatory Floodway 0,2% Annual Chance Flood Hazard, Areas

of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile $z_{
m one}\,x$ Area with Reduced Flood Risk due to Future Conditions 1% Annual Chance Flood Hazard Zone? Levee. See Notes. Zone X

Area with Flood Risk due to Levee Zone D

NO SCREEN Area of Minimal Flood Hazard Zone X

Area of Undetermined Flood Hazard Zone C Effective LOMRs

Channel, Culvert, or Storm Sewer STRUCTURES | 1111111 Levee, Dike, or Floodwall

GENERAL

Cross Sections with 1% Annual Chance Water Surface Elevation **77** 37.7

Coastal Transect

Base Flood Elevation Line (BFE) Jurisdiction Boundary Limit of Study

Coastel Transact Baseline Profile Baseline

Hydrographic Feature

OTHER FEATURES

No Digital Data Available Digital Data Available

The pin displayed on the map is an approximate point selected by the user and does not represe an authoritative property location.

Unmapped

MAP PANELS

This map complies with FEMA's standards for the use of digital flood maps if it is not vold as described below. The besemap shown complies with FEMA's basemap

The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard Information is derived directly from the authoritative NFHL web services provided by FEMA. This man was exported on 5/14/2022 at 10:40 AM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or the change of the become superseded by new data over time.

Dismap image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels. FIRM panel number, and FIRM effective date. Map images for legend, scale bar, map creation date, community identifiers, unmapped and unmodernized areas cannot be used for regulatory purposes.

urce Antional Man. Ortholmagery: Data refreshed October. 2020



Illinois Department of Natural Resources

One Natural Resources Way Springfield, Illinois 62702-1271 www.dnr.illinois.gov

JB Pritzker, Governor

Colleen Callahan, Director

Illinois State Historic Preservation Office Architectural Design Review

Program Area:

707- IDPH- IHFSRB

Date:

6/2/22

SHPO log number:

013052522

Property:

Ann & Robert H. Lurie Children's Hospital of Chicago

Address/City:

225 E. Chicago Ave

Contact information:

Ralph Weber, rmweber90@gmail.com

Architectural Reviewer:

Anna Margaret Barris

Received by SHPO:

5/25/22

Received by Architecture:

5/25/22

Comments:

Thank you for submitting the scope of work for proposed interior remodeling at the Ann & Robert H. Lurie Children's Hospital of Chicago, located at 225 East Chicago Ave. Your submission is dated April 15, 2022, and we received it on May 25, 2022 via email (we no longer accept hard copy submissions). Our comments are required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420) and its implementing rules (17 IAC 4180) (Act).

Our staff has reviewed the specifications under the state law and assessed the impact of the interior remodeling within the Ann & Robert H. Lurie Children's Hospital of Chicago. Our review of the records indicates that no historic, architectural, or archaeological sites exist within the project area, therefore, we have no objection to the proposed undertaking proceeding as planned.

Please retain these comments in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

Attachment 6

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$195,384	\$130,256	\$325,640
Site Survey and Soil Investigation	18,903	12,602	31,506
Site Preparation	272,508	181,672	454,180
Off Site Work			
New Construction Contracts			
Modernization Contracts	8,697,022	2,584,714	11,281,736
Contingencies	1,304,553	387,447	1,692,000
Architectural/Engineering Fees	900,142	837,358	1,737,500
Consulting and Other Fees	1,557,531	1,038,354	2,595,884
Movable or Other Equipment (not in construction contracts)	8,168,514	634,405	8,802,919
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized	492,000	328,000	820,000
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$21,606,557	\$6,134,808	\$27,741,365
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$21,606,557	\$6,134,808	\$27,741,365
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			<u></u>
Leases (fair market value)			
Governmental Appropriations			·
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$21,606,557	\$6,134,808	\$27,741,365

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Project Cost and Sources of Funds Supporting Narrative

Pre-planning Costs \$325,640

Pre-planning costs include clinical pre-planning during the strategic planning phase, including (i) concept development and feasibility studies by an architectural consultant, (ii) a medical equipment planner, and (iii) a construction manager to estimate high-level capital costs related to long term financial planning. These consultants also provided studies to evaluate strategic decisions to support growth.

Site Survey / Soil \$31,506

The site survey work includes pre-planning testing and investigation of existing conditions, specifically in the building systems.

Site Preparation \$454,180

The site preparation work includes demolition and mobilization costs. It also includes special floor preparation needed to apply new, required flooring materials.

Modernization costs \$11,281,736

The construction contract for the modernization projects includes all costs to build the project including contractor's overhead and fees. Due to an ongoing and unprecedented hyper-escalation of costs in the construction industry, the construction modernization contract includes an estimated 8% escalation to account for anticipated but unknown price and labor increases through mid-way of the construction process.

The modernization project on the 7th floor consists of adding an intraoperative MRI suite adjacent to an existing major-surgical area, as well as modifications to an adjacent neurosurgical operating room. As enabling, a GI Motility suite will be relocated to the 6th floor to make room for the MRI. The project on the 6th floor includes the build-out of the GI Motility suite, and three additional minor procedure rooms. As another phase of enabling, several administrative offices will be moved off-site to existing Lurie-owned office suites. The 6th floor will also include a space dedicated to the Anesthesia department.

With a clinical area modernization cost of \$8,697,022 and the total Departmental Gross Square Feet (DGSF) of clinical space at 9,070 square feet, the average cost per square foot is \$959.

Of the total \$959/sf, approximately \$285/sf is attributed to construction requirements that are not associated with a typical construction project as outlined below.

1. Infection Control Procedures and General Requirements (\$306,722) Elevated infection control and prevention procedures not typically seen with a standard project are required when working within an active hospital, especially around operating rooms within restricted areas. These infection control and prevention procedures require more labor to assure that areas near and outside construction zones are always kept clean, as well as special monitoring to the building automation system to assure construction areas always have negative airflow to

Additionally, because the modernization is taking place in occupied areas of the hospital, construction is required to take place in multiple phases. As a result, the construction process is prolonged, and the construction manager is overseeing a project that must be completed in 4 separate phases. The premium costs are estimated to reflect an additional 26 weeks of oversight.

- 2. Specialty Steel Support (\$89,275)
 - Each type of specialty procedural space (Neurosurgery Operating Room, iMRI Suite, and the minor procedure rooms) require additional steel support for equipment not commonly seen in every OR, MRI or procedure room. For example, the iMRI requires an automatic, magnetic shielded, sliding door between the MRI scan room and the OR. This complex door requires additional steel support. Supporting steel is also required for the equipment booms and anesthesia booms in the surgical rooms.
- 3. Specialty finishes for OR's and MRI's (\$170, 481)

The new iMRI OR suite and the procedures rooms will have upgraded flooring, wall protection and ceiling systems to withstand heavy duty wear and tear in keeping with recent upgrades made to other surgical spaces. These finishes are not standard in other general clinical spaces and typically have a premium cost in comparison to other less-specialized clinical spaces.

4. Specialty Building systems to support Operation Rooms, Procedure Rooms, Exam Rooms and

Most of the modernizations taking place on the 6th floor are in an area that is currently administrative offices. Therefore, infrastructure required to support these new clinical and procedural spaces will need to be added or extended to these areas. Examples of specialized infrastructure needed on the 6th floor include:

- New toilet exhaust shaft and fan that will extend to mechanical penthouse to support added loads to the floor
- Isolation panels for procedural spaces with anesthesia
- Medical gas supply to exam and procedural spaces
- Upsizing a large portion of domestic water line to support entire area under renovation

The 7th floor MRI space will also need unique infrastructure that is not common in other clinic spaces. Examples of these unique infrastructure systems and requirements include:

- Dedicated pneumatic tube station for MRI control area
- Quench vent from MRI extending to building exterior
- Dedicated exhaust shaft and fan for MRI to extend to mechanical penthouse
- Dedicated isolation panels for MRI
- Dedicated Uninterrupted Power Supply (UPS) in the event of a power failure during imaging and procedures.
- 5. iMRI Allowances (\$202,813)

Additional allowances have been added to accommodate installing an MRI in an existing high-rise building that requires unique planning not commonly required in any other type of clinical space. For example, with the MRI being located on the 7th floor, the only way to install the large magnet is to hoist it along the side of the building and remove the exterior wall as it is too heavy and large to fit in any internal elevators. Other allowances are set aside for specialized acoustical assemblies above and below the areas of the MRI to help protect adjacent clinical spaces. These structural installations are permanent. The allowances also cover investigations of existing conditions above and surrounding the MRI immediately preceding installation.

6. Misc. Allowances (\$138,163)

Due to the complexity and various phasing requirements, there are many unknowns that will not be known until construction begins. For this reason, we include overtime and phasing allowances in the modernization costs. These construction allowances help alleviate changes that need to be made due to the sensitive location where construction is taking place. Certain work that could normally be complete during the day needs to be adjusted to off-hours to avoid disturbance to patient care.

7. Hyper-Cost Escalation (\$991,666)

As noted above in the modernization costs section, construction of healthcare (and other) facilities are currently experiencing an unprecedented rate of escalation, exceeding the standard 3% per year. The contract costs currently include an 8% escalation on top of the estimated costs currently to account for unknown pricing and labor increases.

In summary, of the total clinical modernization cost of \$8,697,022, the total premium of costs in clinical areas not typically seen in construction equals \$2,587,977, or \$285/sf, for the 9,070 square feet of clinical spaces. These factors imply that the \$959 clinical cost per DGSF of the modernization compares to a level of \$674 per sq ft.

Contingencies \$1,692,000

The project costs are currently based off schematic design phase. There are many complexities to this project that require further studies with vendor's site-specific information (such as the MRI, OR Booms, and OR integration system). In addition to the details still needed for equipment planning, other areas may be affected during construction that could allow for additional scope.

Clinical contingency is \$900,142 of the total contingency. This amount is 15% of the clinical modernization cost of \$8,697,022.

A/E fees \$1,737,500

The architectural and engineering fees cover the cost of programming, interior design, schematic design, design development, construction documentation and construction administration. The fees include coordinating site visits to other facilities with intraoperative MRI's, creating full-scale mock-ups of key rooms in the project, as well as virtual reality design aids. Because there are multiple projects underway, there were an unusually large number of user groups requiring planning and architectural team support. Also, both the architectural and engineering teams' fees are set up as two separate projects (the 6th floor renovations as one, and the 7th floor iMRI suite as another).

Consultants and fees \$2,595,884

The consultant fees include the following:

- Project management service
- Medical equipment planning & procurement
- Structural vibration analysis
- Acoustical Design Analysis Consultant
- Capitalized Lurie Children's facilities and planning staff allocated to the project
- Commissioning Consultant (Building Systems)
- Water Management Testing and consultation
- FF&E Design
- IT/IM Project management services
- Construction management
- CON advisory services

The project fees include costs associated with the following reviews and permits:

- CON filing fee
- IDPH application cost
- City of Chicago permit application fee

Moveable equipment, furnishings \$8,802,919

The following tables provide overview detail on the major clinical components of the project – iMRI, procedure rooms, and the GI motility suite. The clinical components are \$8,168,514 of the total project \$8,802,919.

Summary	
Clinical Equipment	\$8,168,514
Non-Clinical Equipment	\$114,405
Furnishing	\$420,000
EQ Warehousing	\$100,000
Total	\$8,802,919

Clinical Equipment costs by major functional area	
Intraoperative MRI Suite	
3T MRI	\$ 3,495,500
MRI Patient Monitor	\$ 244,892
Surgical Table	\$ 242,157
MRI anesthesia machine	\$ 186,079
OR Integration	\$ 119,851
LED Surgical Light	\$ 98,485
MRI Sensory system	\$ 94,835
Anesthesia Boom	\$ 92,692
Pyxis Medication Dispenser	\$ 75,312
Ferromagnetic Detector	\$ 68,984
MRI Injector	\$ 64,687

D. C. L. M. A. C. Harriston Intollerung	\$	54,746
Patient Monitor Intellevue	\$	1,040,460
Aggregate, individual items under \$50,000	\$	5,878,680
Subtotal		
Procedure Rooms	\$	240,883
Anesthesia Machines	s	239,701
OR Integration	\$	139,038
Anesthesia Booms	\$	133,013
Surgical Tables	\$	121,658
Equipment Booms	\$	109,492
Patient Monitors	\$	94,546
Endoscopy System	\$	75,312
Main Medication Dispenser	- \$	74,153
Single LED w/dual FPM surgical		60,250
Single LED w FP Monitor Arm surgical light	\$	
Electrosurgical Units	\$	55,198
Aggregate, individual items under \$50,000	\$	482,810
Subtotal	\$	1,826,054
GI Motility		134,161
Digital Manometry	\$	
Manometry system, w trolley	\$	123,379
Main medication dispenser	\$	37,077
Patient Monitor	\$	26,128
Aggregate, individual items under \$25,000	\$	143,035
Subtotal	\$	463,780
Total	\$	8,168,514

\$820,000 **Other Capital Costs**

IT (\$635,000)

Operating rooms and MRI's typically have heavy integration with technology and require specialized equipment. It is also anticipated that some existing OR integration systems will need to be updated to accept some newer technology and those costs are included in this budget

Artwork (\$100,000)

Ann & Robert H. Lurie Children's Hospital of Chicago has a standard regarding the environmental graphics that will be maintained in these modernizations. Lurie Children's is committed to have the best patient and family experience in all clinical spaces and artwork is a key component.

Signage (\$85,000)

Due to the impact of modernization within an existing facility, not only do all the new spaces need new signage, but a large portion of existing wayfinding signage will need to be updated throughout the facility, outside of the areas impacted by construction.

Cost Space Requirements (departmental gross sq ft)

Department/Area	Cost	Gross Sq	uare Feet	Amount of Proposed Total Gross Sq Ft That I					
		Existing	Proposed		Modernized	As Is	Vacated		
C			-				ļ		
Construction Costs							1		
CLINICAL/REVIEWABLE							ļ		
OR with iMRI	1,835,000		ļ		1,835		 		
Neurosurgical OR	1,359,000				1,359				
Procedure Rooms	3,291,064				3,457				
GI Motility	2,211,958				2,419				
Subtotal Clinical	8,697,022				9,070		<u> </u>		
NON-REVIEWABLE	· · · · · · · · · · · · · · · · · · ·		l			<u>. </u>	 		
Anesthesia offices	1,670,350				3,037				
Consult rms, lactation, ofcs	428,044	••			947		†		
Waiting room	322,520		<u> </u>		925		1		
Conference, consult	163,800				364		1		
Subtotal Non-Clinical	2,584,714				5,273				
TOTAL CONSTRUCTION	11,281,736		-		14,343				
Other Project Costs							 		
Preplanning Costs	325,640								
Site Survey / Soil	31,506								
Site Preparation	454,180	-	<u> </u>						
Off Site Work			<u> </u>						
Contingencies	1,692,000								
A/E fees	1,737,500								
Consulting fees	2,595,884	 -							
Moveable Equipt, Furnish	8,802,919								
Bond Issuance Expense					· · ·		1		
Net Int Expense during const			<u> </u>						
FMV leased space, equipmen	nt								
Other capital costs									
- IT	635,000		<u> </u>						
- artwork	100,000								
- signage	85,000								
Subtotal	16,459,629								
TOTAL PROJECT COSTS	22.244.000	-							
TOTAL PROJECT COSTS	27,741,365								

1110.230 - Background, Purpose of the Project and Alternatives

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensure and certification, if applicable.

Ann & Robert H. Lurie Children's Hospital of Chicago 225 East Chicago Avenue Chicago, IL 60611 Licensure: Pediatric Hospital

Children's Outpatient Services at Westchester 2301 Enterprise Drive Westchester, IL 60154 Licensure: Ambulatory Surgical Treatment Center

Children's Outpatient Services at Northbrook 1123 Techny Road Northbrook, IL 60062 Licensure: Ambulatory Surgical Treatment Center

Almost Home Kids
211 East Grand Avenue
Chicago, IL 60611
Licensure: Children's Community Based Health Care Center

Almost Home Kids 7 S. 721 Route 53 Naperville, IL 60540 Licensure: Children's Community Based Health Care Center

FEE RECEIPT, NO.

Ann & Robert H Lurie Children's Hospit

Date Printed 03/23/2021

225 East Chicago Avenue Box 140 Chicago, IL 60611 Ann & Robert H Lurie Children's Hospital of Chicago 225 East Chicago Avenue Box 140 Chicago, IL 6061.1 LICENSE, PERMIT, CERTIFICATION, REGISTRATION Effective: 06/09/2021 Pediatric Hospital Ngozi O. Ezika, M.D. Director 06/08/2022

のなるで

Exp. Date 06/08/2022

Lic Number

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Attachment 11



January 15, 2020

Thomas Shanley, MD
President & CEO
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Ave.
Chicago , IL 60611

Joint Commission ID #: 7269
Program: Hospital Accreditation

Accreditation Activity: 60-day Evidence of Standards

Compliance

Accreditation Activity Completed: 1/10/2020

Dear Dr. Shanley:

The Joint Commission is pleased to grant your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

• Comprehensive Accreditation Manual for Hospital

This accreditation cycle is effective beginning September 21, 2019 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

Should you wish to promote your accreditation decision, please view the information listed under the 'Publicity Kit' link located on your secure extranet site, The Joint Commission Connect.

The Joint Commission will update your accreditation decision on Quality Check®.

Congratulations on your achievement.

Sincerely,

Mark G.Pelletier, RN, MS

neck Pelleti

Chief Operating Officer and Chief Nurse Executive

Division of Accreditation and Certification Operations



January 10, 2020

Re: # 7269

CCN: #143300

Program: Hospital

Accreditation Expiration Date: September 21, 2022

Thomas Shanley
President & CEO
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Ave.
Chicago, Illinois 60611

Dear Dr. Shanley:

This letter confirms that your September 17, 2019 - September 20, 2019 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on November 25, 2019 and January 03, 2020 and the successful on-site unannounced Medicare Deficiency Follow-up event conducted on October 30, 2019, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of September 21, 2019. We congratulate you on your effective resolution of these deficiencies.

§482.51 Surgical Services

The Joint Commission is also recommending your organization for continued Medicare certification effective September 21, 2019. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

Ann & Robert H. Lurie Children's Hospital of Chicago 225 E. Chicago Ave., Chicago, IL, 60611

Dayton 1440 North Dayton Street, Chicago, IL, 60642

Lurie Children's in Grayslake Outpatient Services 1475 E. Belvidere Rd. Rt. 120 Grayslake, Grayslake, IL, 60030

Lurie Children's Outpatient Center in Arlington Heights 880 West Central Road, Suite 6400, Arlington Heights, 1L, 60005-2378

www.jeintcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

Attachment 11



Lurie Children's Outpatient Center in Lake Forest 900 Westmoreland, Suite 110, Lake Forest, IL, 60045

Lurie Children's Outpatient Center in Lincoln Park - Deming 467 West Deming Place, Chicago, IL, 60614-7362

Lurie Children's Outpatient Center in Lincoln Park- Clark 2515 North Clark, Chicago, IL, 60614-7362

Lurie Children's Outpatient Services in New Lenox 1870 Silver Cross Blvd. Ste 100 & 210, New Lenox, IL, 60451

Lurie Children's Outpatient Services in Westchester 2301 Enterprise Drive, Westchester, IL, 60154

Lurie Childrens Outpatient Clinic in Northbrook 1131 Techny Road, Northbrook, IL, 60062

Lurie Childrens Outpatient Clinic Uptown 4867 N. Broadway, Chicago, IL, 60640

Northbrook ASTC and MD Clinic 1121 Techny Road, Northbrook, IL, 60062

Outpatient Center at Huntley 10350 Haligus Rd, Ste 110, Huntley, IL, 60142

Rehabilitative Services at Westbrook 11301 W. Cermack Rd., Suite 100, Westchester, IL, 60154

Please be assured that The Joint Commission will keep the report confidential, except as required by law or court order. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark G. Pelletier, RN, MS

Mark Polleti.

Chief Operating Officer and Chief Nurse Executive Division of Accreditation and Certification Operations

CMS/Central Office/Survey & Certification Group/Division of Acute Care Services

www.jointcommission.org

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Oakbrook Terrace, IL 60181
630 792 5000 Voice

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CMS/Regional Office 5 /Survey and Certification Staff

DISPLAY THIS PART IN A CONSPICUOUS PLACE

7001555 Exp. Date 06/25/2022 Lic Number

Date Printed 08/29/2021

SECOND SAFE

Children's Outpatient Services at West 2301 Enterprise Dr

FEE RECEIPT NO.

Westchester, IL 60154-5802 The person, first or copposition whose stems appears on the conflictio has complex with the produces of the street statement and translations and a lineaty substitute to engage in the activity, so LICENSE, PERMIT, CERTIFICATION, REGISTRATION Ambulatory Surgery Treatment Cent Children's Outpatient Services at Westchester FOOTERS. Effective: 08/26/2021 Ngozi O. Ezike, M.D. Westchester, IL 60154 2301 Enterprise Dr Director 08/25/2022

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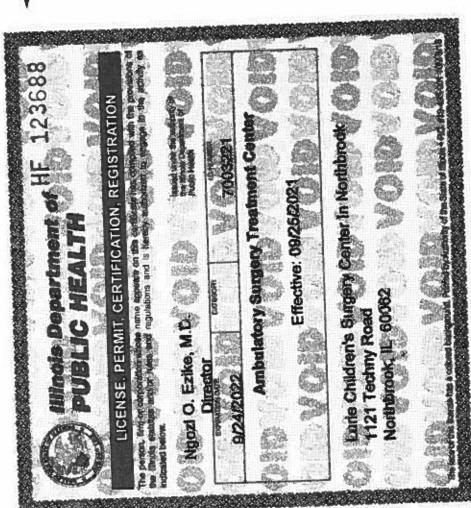
Exp. Date 9/24/2022

Lic Number

Date Printed 8/31/2021

Lurie Children's Surgery Center In Nort

1121 Techny Road Northbrook, IL 60082-5503 FEE RECEIPT NO.



FEE RECEIPT NO. DISPLAY THIS PART IN A CONSPICUOUS PLACE Date Printed 8/3/2021 Exp. Date 9/7/2022 Lic Number 4000024 Almost Home Kids Validation Num The lace of this forms has a colored beckground. Printed by Authority of the State of Minots • R.O. #19-493-001 10M 9/18 The person, firm or corporation whose name appears on this certificate has compilled with the provisions of the lithole statutes and/or rules and regulations and is hareby authorized to engage in the activity as indicated below. Illinois Department of HF 123540 LICENSE, PERMIT, CERTIFICATION. REGISTRATION Children's Community Based Health Care Licensed Beds: 12 **PUBLIC HEALTH** Almost Home Kids 211 East Grand Avenue CATEGORY Chicago, IL 60611 Ngozi O. Ezike, M.D. Director 9/7/2022

TOTALS:



linois Department of HF 123399

PUBLIC HEALTH

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

are of corporation whose name appears on the cardicate has compled with the provin-desires and/or rules and regulations and is hereby authorized to engage in the acti-

Ngozi O. Ezike, M.D.

Director

08/01/2022

Children's Community Based Health Care Center

Licensed Beds: 12

Almost Home Kids 78. 721 Route 53 Naperville, IL 60540

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DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 08/01/2022

Lic Number

4000020

Date Printed 07/08/2021

Almost Home Kids

FEE RECEIPT NO.



June 2, 2022

Ms. Debra Savage
Chairperson
Illinois Health Facilities and
Services Review Board
525 West Jefferson Street - 2nd Floor
Springfield, IL 62761

Re: No Adverse Actions / Authorized Access to Information

Dear Ms. Avery:

I hereby certify that no adverse action has been taken against Children's Hospital of Chicago Medical Center (the "Medical Center") or Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") or any facility owned or operated by the Medical Center or Lurie Children's, directly or indirectly, within three (3) years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize the Health Facilities and Services Review Board ("Board") and the Illinois Department of Public Health ("IDPH") to access any documentation they find necessary to verify any documentation or information submitted, including but not limited to official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations. I further authorize the Board and IDPH to obtain any additional documentation or information that Board or IDPH deems necessary to process the application.

If you have any questions, please contact Ann Sherline, Senior Associate General Counsel, Ann & Robert H. Lurie Children's Hospital of Chicago at 312-227-4312, or asherline@luriechildrens.org.

Sincerely,

Thomas P. Shanley, MD

President and Chief Executive Officer

Ann & Robert H. Lurie Children's Hospital of Chicago

225 E. Chicago Avenue

Chicago, IL 60611

Subscribed and sworn to before me this 2nd day of June, 2022.

Signature of Notary Public

Seal

LORNA K BROWN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/02/24

Purpose of the Project

The project is driven by the acquisition and installation of a Magnetic Resonance Imaging (MRI) machine that will be located in an operating room adjacent to a neurosurgical operating room (OR). Patients with brain tumors and other conditions undergoing neurosurgery can be evaluated during surgery (intraoperatively) on the MRI (iMRI) to determine whether the surgery has removed the entire tumor and may be completed. This is a superior clinical process compared to evaluating the patient following the completion of surgery, and bringing patients back when a post-op MRI indicates that further surgery is needed. The iMRI project is planned for the 7th floor of Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's).

To accomplish the project, the Gastrointestinal (GI) motility program on the 7th floor is being relocated to the 6th floor. It is considered an enabling project, allowing space on the 7th floor to be made available for the iMRI's supporting functions. The project also includes the construction of three surgical procedure rooms on the 6th floor to provided needed additional capacity for Lurie Children's surgery services.

1. Document that the project will provide health services that will improve health care or well-being of the market area population to be served.

The neurosciences program at Lurie Children's provides an array of specialized programs. Lurie Children's Pediatric Neurosurgery program has one of the largest groups of academic pediatric neurosurgeons in North America. The program has a long tradition of innovative services and is renowned in and beyond Illinois. Lurie Children's is nationally-ranked for pediatric neurology and neurosurgery by *U.S. News & World Report*. Expert neurosurgeons and specialist teams evaluate and treat everything from common conditions to rare diseases. For patients who need neurosurgery treatment, Lurie Children's offers cutting edge neurosurgical care with a team-based, family-focused approach with a caring, Lurie Children's difference.

<u>Intraoperative MRI</u>. The iMRI will benefit several types of patients by improving the surgical process. For children and adolescents with brain tumors, the iMRI will allow for confirmation that the tumor is completely resected before finishing the surgery. Similarly, the following types of cases will make use of the technology: epilepsy resection surgery, vascular cases such as arteriovenous malformation resection, stereotaxy performed in the OR using the magnetic resonance (MR) compatible skull mounted system, hemispheric disconnection surgery, laser ablation surgery or MR-guided laser interstitial thermal surgery (MRgLITT), and movement disorder surgery using high frequency ultrasonography (HIFU).

GI Motility. Another component of the project is the relocation of the GI motility program from the 7th floor to the 6th floor of Lurie Children's. The space currently occupied by the GI motility service will be converted to support functions for the iMRI. The GI motility program serves those patients with disorders in the upper GI tract (esophagus, stomach or upper part of the small intestine) or lower GI tract (small intestine, large intestine and rectum). GI disorders include functional abdominal pain, chronic nausea, cyclic vomiting syndrome and chronic constipation. Motility disorders include achalasia, where muscles of the lower part of the esophagus fail to relax, preventing food from passing into the stomach; ineffective esophageal motility disorder; and gastroparesis, the condition that affects stomach muscles and prevents proper stomach emptying. Other disorders are Hirschsprung's disease, the condition of the large intestine that causes difficulty passing stool; and pelvic floor dyssynergia, which occurs when muscles in the pelvic floor become uncoordinated making it difficult to have a bowel movement. This includes muscles and connective tissue that supports the bladder, rectum and other organs.

Procedure Rooms. The third component of the project is the construction of three procedure rooms on the sixth floor. This project is not functionally related to the iMRI program or the GI motility service, but is integrally connected architecturally. The procedure rooms are needed to facilitate the relocation of procedures now being done in the Lurie Children's surgery department. Lurie Children's opened in 2012 with 18 operating rooms and no procedure rooms at the main hospital on Chicago Avenue. Three ORs were added in 2016. The 21 ORs are at full utilization, following a peak utilization of 38,270 hours in 2018 and 37,315 hours in 2019 (a two year average of 1,800 hours per room, significantly higher than the State standard of 1500 hours per year per room). Due to COVID, lower utilization was experienced in 2020 and 2021, but still exceeding the State standard. The three procedure rooms will accommodate primarily dental and gastroenterology cases, but also ENT, hem/onc and urology cases. By shifting these cases, the procedure rooms will enable the offloading of enough volume in the ORs to allow for continued growth of surgical cases requiring full capability ORs. In addition, due to the need for support space for the iMRI, the number of ORs at Lurie Children's will be reduced from 21 to 20.

2. Define the planning area or market area, or other relevant area, per the applicant's definition.

The accompanying table shows the distribution of inpatients and outpatients served at Lurie Children's and its satellite facilities. The large area from which patients are drawn reflects the specialized pediatric services provided by Lurie Children's and the relatively significant distances that families will travel for care.

Forty-one percent (41%) of Lurie Children's patients reside in the City of Chicago. An additional twenty-three percent (23%) of patients reside in suburban Cook County. For this project, the Primary Service Area is Cook County, with 64% of patient volume. Cook County is defined as the Planning Area for the project. The table lists individual Cook County zip codes of residence that provide 3,000 or more patients. Zip codes in the county that individually contribute under 3,000 patients are aggregated together, with their patient volumes consolidated into a single table row.

The Secondary Service Area is the source of the remaining thirty-six percent (36%) of patients. Fifteen percent (15%) of patients reside in DuPage, Will or Kendall County; thirteen percent (13%) of patients reside in Kane, Lake and McHenry County. Eight percent (8%) reside in other Illinois counties, or outside of Illinois, predominantly northwest Indiana or southeast Wisconsin.

The accompanying map shows the geographic locations of these areas.

3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.

There are several planning issues associated with three project components.

Intraoperative MRI. Several of the neurosurgical procedures conducted at Lurie Children's require follow-up with MRI within 24-48 hours to evaluate whether corrective surgery to remove a tumor or conduct a disconnection was complete. In instances where an MRI exam finds that the surgery was not complete, a second follow-up surgery must be done. Being able to conduct the MRI during surgery can identify further work before the surgery is completed, and avoid the need for a return on a subsequent day.

<u>GI Motility</u>. Motility disorders affect how muscles and nerves in the gastrointestinal tract move food from the esophagus to the stomach and intestines. Motility disorders can affect any part of the GI tract. Specific testing is needed to properly diagnose disorders of weak or uncoordinated muscle function, including

such conditions as achalasia, diffuse esophageal spasm, and ineffective esophageal activity. Specific treatments for these complex conditions are discussed below in section 5 of this Purposes Statement. The GI motility service is being relocated primarily in order to make supporting space available for the iMRI project.

Surgical Procedure Rooms. Lurie Children's opened in 2012 with 21 operating rooms and no procedure rooms at the main hospital on Chicago Avenue. The 21 ORs are at full utilization, following a peak utilization of 38,270 hours in 2018 and 37,315 hours in 2019 (a two year average of 1,800 hours per room, significantly higher than the State standard of 1500 hours per year per room). Due to COVID, lower utilization was experienced in 2020 and 2021, but still exceeding the State standard. Part of the increase in operating room utilization at Lurie Children's is likely due to the closure of pediatric units at more than 20 community hospitals in metropolitan Chicago over the past 10 years.

4. Cite the sources of information provided as documentation.

- Patient medical records
- HFSRB Profiles
- COMPData, Illinois Hospital Association
- Population Projections: Illinois, Chicago and Illinois Counties by Age and Sex, July 1, 2010 to July 1, 2025; Illinois Department of Public Health, Office of Health Informatics, Illinois Center for Health Statistics. (2014 edition)

5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.

iMRI. The intraoperative MRI allows for structural re-evaluation while the patient has intracranial surgical access. This decreases the need for a "return to the operating room" to finish resecting a tumor or performing a disconnection surgery because there would be anatomic confirmation before closing the surgical site. In the case where a tumor starts blending with surrounding normal brain tissue, there are few clues when to stop resecting. It is the surgeon's judgement when to stop resecting and close. MRIs are now done within 24 - 48 hours. If the MRI detects that there is a bit of tumor left, or that a disconnection surgery was incomplete, the decision requires returning to the OR for follow-up surgery. The second operation requires resetting all of the OR equipment, re-opening fresh incisions, risking infection, and conducting the further operation. Availability of the iMRI in the surgical room adjacent to the neurosurgery OR accomplishes a more clinically thorough and effective surgical intervention.

GI motility. The GI motility suite enables the following tests and treatments:

Anorectal manometry. Placement of a small flexible tube with a small balloon on the end into the rectum. Sensors record pressures when different amounts of air are introduced to test how well muscles and nerves react.

Antroduodenal manometry. Placement of a small flexible tube through the nose into the stomach and small intestine. The tube measures the strength of the muscles and beginning of the small bowel.

BRAVO pH test. Insertion of a flexible tube down the esophagus with an attached acid sensor. This test measures how much acid is in the esophagus. It is used to diagnose acid reflux.

Breath testing. The test measures the amounts of several gases, used to diagnose lactose intolerance, fructose intolerance, bacteria that cause inflammation, and small intestinal bacteria overgrowth.

Colonic manometry. Placement of a catheter into the colon. It connects to a computer and tests the reactions to medications and food in the large intestine.

Esophageal manometry. Insertion of a small tube through the mouth to the esophagus. Swallow tests document how the esophagus muscles work.

Esophageal impedance. Insertion of a small tube through the nose into the esophagus and stomach. A monitor checks the amount of gas and liquid in the esophagus and signs of reflux.

Functional Luminal Imaging Probe (FLIP) Topography. Insertion of a flexible tube with balloon during upper endoscopy, either in the esophagus (EndoFlip) or the pylorus (pyloric EndoFlip). The balloon is inflated during the endoscopy and measurements taken of pressure and distensibility (capacity to swell).

Autonomic testing. One of the three testing rooms will be fitted with a tilt table, and will be dedicated to autonomic testing. The tilt table assesses orthostatic signs and symptoms such as lightheadedness, dizziness or fainting that occur in combination with GI symptoms such as nausea or pain. GI and orthostatic symptoms are monitored, along with heart rate and blood pressure. Lurie Children's is the only facility in the US that provides autonomic testing combined with GI care for pediatric patients.

<u>Surgical Procedure Rooms</u>. The three procedure rooms will accommodate primarily dental and gastroenterology cases, but also ENT, hematology/oncology and urology cases. By shifting these cases, the procedure rooms will enable the offloading of enough volume in the ORs to allow for continued growth of surgical cases requiring full capability ORs. In addition, due to the need for support space for the iMRI, the number of ORs at Lurie Children's will be reduced from 21 to 20; the three procedure rooms will accommodate some of the procedures now being performed in the main hospital ORs.

6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals, as appropriate.

Objectives of the project are as follows:

- a) Enable 124 annual neurosurgical procedures to use intraoperative MRI.
- b) Accommodate approximately 2400 surgical cases (3,900 Hours) in three procedure rooms.
- c) Accommodate 34,500 surgical hours in the main hospital ORs, independent of the 3,900 hours in the three procedure rooms.
- d) Provide for approximately 4,300 annual visit hours for the Lurie Children's GI Motility program.

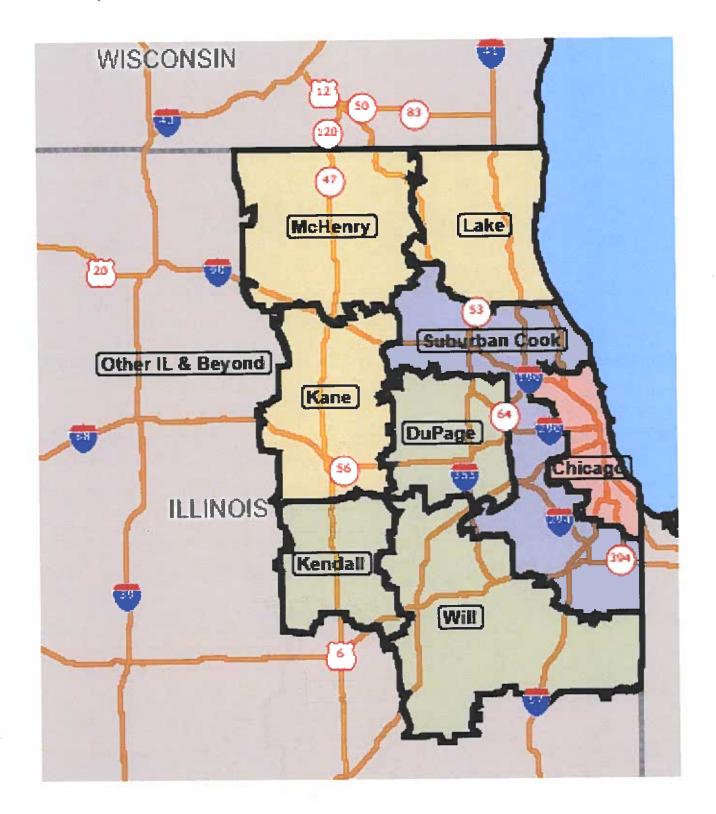
All forecasts are for year 2026, two years after completion of the project in 2024.

Patient Origin by Service Area

Service Region	ent Origin by Servi	% Of Total	CY 21 Pediatric Population
City of Chicago	255,478	41%	583,430
The state of the s	15,019		21,551
60618	14,920		24,646
60639	12,600		9,770
60614			19,574
60647	11,109		17,133
60625	10,388		8,926
60657	9,977		16,278
60641	9,825		10,381
60640	8,773		
60634	8,582		14,776
60629	8,412		32,842
60651	7,756		16,247
60613	7,585		6,803
60632	7,571		27,212
60645	7,358		11,580
60622	6,541		9,715
60630	5,931		11,068
60659	5,812		8,632
60626	5,525		10,064
60623	5,296		27,315
60609	4,845		18,184
60608	4,741		18,174
60610	4,589		4,424
60616	4,455		8,004
60660	4,257		6,238
60617	4,030		19,114
60611	3,989		2,667
60644	3,726		11,567
60638	3,580		11,986
60646	3,333		5,408
60612	3,043		8,017
	41,910		165,139
Other Zip Codes Under 3,000 Encounters Suburban Cook County	142,560	23%	518,180
60804	5,817	Description of the second	24,980
	5,402		6,942
60062	4,909		15,34
60402			5,84
60091	4,573		9,59
60004	4,142		7,98
60025	4,131		6,26
60302	4,071		
60707	4,069		8,90
60093	3,698		4,39
60068	3,546		7,11
60056	3,341		11,30
60202	3,300		6,51
60201	3,064		7,46
Other Zip Codes Under 3,000 Encounters	88,497		395,52
Primary Service Area Subtotal	398,038	64%	1,101,61
Secondary Service Area	220,497	36%	1,797,05
Dupage, Will and Kendall Counties	91,127	15%	422,99
DuPage County	49,458		220,69
Will County	36,673		167,59
Kendall County	4,996		34,71
Lake, Kane and McHenry Counties	81,285	13%	354,05
Lake County	49,172		166,82
Kane County	19,425		115,74
McHenry County	12,688		71,49
Other IL and beyond	48,085	8%	1,020,00

Primary Service Area = Chicago and Suburban Cook County

Secondary Service Area = DuPage, Will, Kendall, Kane, Lake, McHenry, and Other IL & Beyond



ALTERNATIVES

The project is driven by the need for an intraoperative Magnet Resonance Imaging (iMRI) machine to assess conditions in a patient's brain in real time during neurosurgery. At the present, pediatric patients having surgery for brain tumors, epilepsy, movement disorders or vascular conditions have surgery on the 7th floor, return to their patient room, and have MRI investigation on the 5th floor 24 – 48 hours following surgery. If it is determined that further surgery is needed, a second surgery is performed. The availability of iMRI while the initial surgery is in process informs the surgical team when the surgery can be completed, and avoids the need for return surgery.

Four alternatives were considered for the project.

Alternative 1. Add an MRI on the 5th floor.

The fifth floor currently has four MRIs, CT scan rooms and nuclear medicine, interventional ORs, pre and post operative rooms, and the Chicago Institute for Fetal Health. All of the functional areas are fully utilized, and there is no space available to introduce a fifth MRI either in its own space or within one of the operating rooms. There is no space that can be converted for the activity areas needed to support a fifth MRI. No cost was determined for this alternative because lack of space makes it infeasible.

Alternative 2. Add an MRI on the 6th floor.

The 6th floor has 10 operating rooms and the supporting pre and post-op facilities. Space on the 6th floor could have been made available, but would require the demolition of one or two of the existing operating rooms. In addition, there would need to be significant structural support to accommodate the weight of the magnet. Cost of this project would be about \$2.5 million more than the cost of the iMRI component of the proposed project on the 7th floor.

Alternative 3. Add an MRI on the 7th floor (Preferred Alternative).

The neurosurgical operating room on the 7th floor is adjacent to a room that was designed to support a future MRI. This makes the 7th floor option a superior alternative. Adjacent space currently used for the GI motility program can be made available through the relocation of the motility program to the 6th floor. That vacated space will be used for functions needed to support the MRI. Minor modifications will be made to the neurosurgery OR, including placement of a door into the OR that will house the magnet. The project includes the removal of one existing OR and the conversion of that space to supporting functions.

Alternative 4. Add the MRI on the 7th floor, relocate the GI motility service to the 6th floor, but do not add three surgical procedure rooms on the 6th floor.

The construction of three procedure rooms on the 6th floor is not essential to the iMRI project. However, hospital leadership decided to incorporate the addition of procedure rooms on the 6th floor while that area is being reconstructed to house the GI motility program. There are currently 21 operating rooms at Lurie Children's, and no procedure rooms. One of the existing ORs on the 7th floor will be demolished to accommodate support space for the iMRI. This will reduce the number of ORs at the hospital to 20. The hospital ORs are now well above the State standard of 1500 hours per room per year. The three procedure rooms will allow selected procedures now performed in the ORs (especially dentistry and gastroenterology) to be relocated from the ORs, making the ORs available to accommodate the

experienced growth in surgical cases. This alternative would be about \$4 million less than the proposed project, but would not address the hospital's need for more surgical capacity that can be accommodated in procedure rooms.

After extensive review, Alternative 3 was selected as the preferred alternative.

SIZE OF THE PROJECT

The project is the interior modernization of parts of the 6th and 7th floors of the Ann & Robert H. Lurie Children's Hospital of Chicago. The total project size is 14,343 departmental gross sq ft. (dgsf). Of this total, 9,070 dgsf is clinical; 5,273 dgsf is non-clinical space. The table shows the distribution of space by function.

Department/Service	Proposed DGSF	State Standard (dgsf)	Difference	Met Standard?
22			· ·	
Clinical Space				
Operating Rooms			-	
OR with MRI	1,835	2,750	under by 915	Yes
Neurosurgical OR	1,359	2,750	under by 1,391	Yes
Surgical procedure rooms	3,457	3 x 1,100 = 3,300	over by 157	No
Motility exam/treatment	2,419	3 x 800 = 2,400	over by 19	No
Total Clinical	9,070			
Non-clinical				
Conference / consult	364	NA		NA
Anesthesia offices	3,037	NA		NA
Consult/lactation/office	947	NA		NA
Waiting room	925	NA	_	NA
Total Non-clinical	5,273			
Total dgsf	14,343			

The intraoperative MRI (iMRI) will be located in an existing operating room that is being modified to house the MRI. The iMRI will be used for patients undergoing neurosurgery in the adjacent neurosurgical OR. A separate hallway will allow access for other patients undergoing MRI, and other surgical cases will also be performed in this OR. For this reason, it is considered a hybrid OR, and will meet all requirements of both an OR and a room accommodating an MRI.

The three surgical procedure rooms and the three motility treatment rooms are slightly above the State standards for space. The reasons are as follows. First, a bathroom is being designed in each of the motility rooms, which adds space that is not included in the standard for normal exam and treatment rooms. Regardless, the rooms collectively are within 19 sq ft of the standard, less than 7 feet per room. Second, the surgical procedure rooms collectively are over the standard by 157 sq ft. This is due to the limitations of the existing floorplate and column placement in the area where the procedure rooms are being constructed.

There is no shelled space in the proposed project.

PROJECT SERVICES UTILIZATION

Building upon the historic high levels of utilization of the 21 surgical operating rooms (ORs) and 4 MRIs at Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's), the project will exceed State standards for these two services.

Operating and Procedure Room Utilization

Utilization of Lurie Children's existing 21 ORs in 2020 was 34,299 hours, or 1633 hours per OR, exceeding the State standard of 1500 hours per room. Year 2021 utilization increased to 34,829 hours. As shown in the table of historic utilization below, both years show the effect of Covid 19, with lower utilization than the 37,793 average of the two prior years. The project adds 3 procedure rooms and reduces the number of ORs from 21 to 20. In 2026, two years after project completion, the combined 23 ORs and procedure rooms are expected to accommodate 38,454 hours of utilization, or 1,672 hours per room, exceeding the State standard. This level of service is not substantially different than the volume provided in year 2018, pre-Covid.

Projected combined volume of the surgical ORs and the procedure rooms is based on a projected 2.0% annual growth from 2021. Considering that utilization in 2015 was 22,860 hours, the historic actual increase to 34,299 hours in 2020 was an average annual increase of 10.0%. The forecast of 2.0% annual increases through 2026 is likely conservative. A full presentation of historic and projected surgical utilization, by service, is shown in section 1110.270, Clinical Services other than Categories of Service.

MRI Utilization

MRI utilization is similar to the OR utilization. The 4 MRIs at Lurie Children's provided 12,220 procedures in 2020. This was an average of 3,055 procedures per unit, exceeding the State standard of 2,500 procedures per unit. The fifth MRI is justified by the current volumes. Its projected utilization is a combination of a) intraoperative neurosurgical cases; and b) standard MRI imaging on other patients hospitalized at Lurie Children's. The projected levels of utilization are shown in the table below. In 2026, two years after project completion, the 5 MRIs are expected to accommodate 16,314 procedures, or 3,263 procedures per unit, exceeding the State standard.

Gastrointestinal (GI) Motility

Three new GI motility rooms are planned in the project that will replace two existing rooms. Many of the studies performed in the motility rooms are complex, with some having durations of 6 to 10 hours. Lurie Children's has recruited four physicians and 2 advance nurse practitioners to alleviate inconsistent staffing of the current rooms that may have previously prevented full utilization. Additionally, new equipment will mitigate dissatisfaction with existing equipment performance dating back to commencement of the program in 2016. The GI motility service is the only comprehensive motility service in the State of Illinois, and is now in a position to be more responsive to requests for patient referrals.

The two rooms that will accommodate the bulk of visits and exams are projected to accommodate over 3,800 hours of visits ("visit hours") in year 2026 and annually thereafter. Lurie Children's requests that this surrogate measure of visits, incorporating specialized tests and studies, some lengthy, be accepted as a measure of "equivalent visits." This adjusted volume compares favorably to the State standard of 2,000 visits per ambulatory room.

The third room in the GI motility program is a dedicated room with a tilt table. This tilt table room provides for diagnostic testing of specialized conditions. With this room, Lurie Children's will be the only facility in the United States offering this type of testing. Staff estimates that by 2026, 4 tests per week (208 tests and 416 hours per year) will be conducted in the specialized room with the tilt table. Because of the relatively low volume of these tests, the utilization of this particular room falls short of the State standard. However, considered together, the three rooms accommodate over 4,200 equivalent visits. This level of utilization surpasses the 4,000 visit standard for two rooms, hence justifying the need for a third room.

Summary

The table on the next page presents the historic and projected volumes for the Lurie Children's ORs, the three new procedure rooms, the 4 existing MRIs and the proposed intraoperative MRI, and the GI motility rooms.

Historic and Projected Utilization - Summary Project Services Utilization

State Met	Ctandard Standard	+	+	1500 hrs/rm Yes	1500 hrs/rm Yes	30/	1500 hrs/rm			2500 proced/unit Yes		30N	2500 proced/unit										300	2,000 VISIT NI/THI 153
		20707		38,454	L	Ţ	3,905			15 757 250	Ŧ	⇌	16,314 250	==			1,546	3.865			208	116	_	4.281
	22	2025		37.700		33,8/2	3,828		-	1	3 15,230) 541 (121) 557 (124)	15,839		† +		70 1,285				170 195		340 390	12 3 599
	Projected Utilization	2023 2024	_	35 36 961		35,316 33,208	920 3,753		1		14,420 14,853	350 (78)	14 420 15,203	1			90/1 1 470	1	2,234 2,673			140	290 3	2 574
	Pro	2022 2	-	1	35,526 30	35	\ \ \ \	+	+		14,000 14		14 000 12	1				720	1,873			5	0	10,
	u	1,000	1	+	9 34,829		†	+			13,606		1			+		476 563	77 1.575	T		22 9	18	1
	Listoric I Hilization	2020	202		37,315 34,299	_	+	-			14 473 12 220	_1_	-		<u> </u>	+		491 4	1110 1227	١.		9	9 5	17
HIGH	Litato	TISIT.	2018		28 270 37							14,5/1		_	-	+		443		200	 	16	27	32
Historic and Projected Utilization - Summer y	Project Services Utilization			SALE PLANTS	Surgery nours	Operating Rooms (current 21)	OBs after project (20)	procedure rooms (3)	בוסרממות המות המות המות המות המות המות המות		MRI Procedures	MRIs at Lurie Childrens (current 4)	iNARI new unit*	Source of the second state of the second state of the second seco	I Otal MIKI Procedures		CLANC+ility (2 rooms)	פו ואוסרווויא (ביוסטויב)	Studies / exams (cases)	Childips / exams (hours)	State (4:14 +able room)	GI MOTILITY (LILL LADIC 10011)	Cases	

* Numbers in parenthesis refer to intraoperative MRI on surgical cases; these are part of the total volume shown in the cell, which includes other Source of Historic Volumes: HFSRB Profiles, based on Annual Hospital Questionnaires

imaging done on the iMRI.

1110.270 Clinical Services Other Than Categories of Service

Service	# Existing Key Rooms	# Proposed Key Rooms
Surgical ORs	21	20
Procedure Rooms	0	3
MRI	4	5
Motility Rooms	2	3

1. Service to Planning Area Residents

As stated in the Purposes of the Project section, the Planning Area for the project is defined as Cook County. The distribution of patients utilizing the proposed new procedure rooms, the intraoperative MRI (iMRI) and the GI motility service is anticipated to reflect the distribution of the entire hospital's patient encounters (total of inpatients and outpatients). For Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's), Cook County is the source of 64% of anticipated patients, with 41% residing within the City of Chicago, and 23% in suburban Cook County. As a tertiary pediatric medical center, Lurie Children's draws a significant number of its remaining 36% of patients from the rest of the metropolitan area, other counties throughout Illinois, and other states.

As a result, more than 50% of patients utilizing the project's proposed services reside in the Planning Area, Cook County.

2. Service Modernization - Necessary Expansion

All of the component clinical services associated with the project are already provided at Lurie Children's. The project is considered as necessary expansion of the surgical, MRI and GI motility services.

a) Surgical and Procedure rooms

The project proposes to add three procedure rooms and reduce the number of surgical ORs from 21 to 20. The reduction of one OR is needed to accommodate support space on the 7th floor for the iMRI. The following table shows that current utilization of the 21 ORs was 34,299 hours (1,633 hours per room) in 2020 and 34,829 hours (1,658 hours per room) in 2021. Both years exceeded the State standard of 1,500 hours per year per room, and support the case for three new procedure rooms as well as continuing full utilization of the ORs. (It is also worth noting that due to COVID, 2020 and 2021 volumes were down from the high levels of utilization in 2018 and 2019 (38,270 and 37,315 hours, respectively.) The forecast of future year utilization is based on a conservative 2.0% annual growth rate, resulting in 38,454 hours in year 2026, two years after project completion. See the table at the top of the next page.

Historic and Projected Utilization

Operating and Procedure Rooms - consolidated volumes (hours)

	$\overline{}$												
			H	listoric U	tilization	(Hours)		Projected Utilization (Hours)					
AT.	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Surgical Specialty					-,-·								
Cardiovascular	2,106	2,581	2,835	3,002	2,946	2,443	2,551	2,602	2,654	2,707	2,761	2,817	
Dermatology	2	4	3	2	4	11		8	8		9	9	
General	3,824	7,026	7,856	8,083	7,836	8,247	7,396	7,544	7,695	7,849	8,006	8,166	
Gastroenterology	-	1,459	1,960	2,064	1,829			2,133	_		<u> </u>	2,309	
Neurology	2,383	3,417	3,349	3,403	3,194	3,103	3,014	3,074		_	3,262		
OB/Gynecology	-	5	-	-	-	-	-	-	-	-	-	-	
Oral/Maxillofacial	1,407	1,394	1,525	1,875	1,658	1,399	1,553	1,584	1,616	1,648	1,681	1,715	
Ophthalmology	1,028	1,463	1,286	1,618	1,639	1,444	2,014	_			2,180	2,224	
Orthopedic	3,455	4,305	4,344	4,620	4,578	4,205	4,367	4,454				4,822	
Otolaryngology	3,641	6,741	6,598	7,109	7,113	5,460	5,415	5,523	5,634	<u> </u>		5,979	
Plastic Surgery	1,756	1,772	1,786	1,958	2,300	2,027	-	2,359	2,406		2,504	2,554	
Podiatry	-	-	-	-	-	-	-	-	-	-	-	-	
Thoracic	-	-	-	-	-	-	-	-	-	-	-	-	
Urology	3,258	4,340	4,394	4,536	4,218	4,291	4,107	4,189	4,273	4,358	4,446	4,534	
Totals	22,860	34,507	35,936	38,270	37,315	34,299		35,526		_	37,700	38,454	
Course of bishauter		15000					<u> </u>			7			

Source of historic volumes: HFSRB Hospital Profiles, based on Annual Hospital

Questionnaires

The additional table below shows the projected utilization of the 3 procedure rooms, starting in year 2023. These numbers are a subset of the numbers shown above in the main surgery table. The table shows that there will be 3,900 hours of service in the three procedure rooms in year 2026, 2 years after project completion.

Projected Utilization - Procedure Rooms

		Tota	l Projected	Procedure	Room Volu	me (CY)								
	2023		2024		2025		2026							
	Cases	Hours	Cases	Hours	Cases	Hours	Cases	Hours						
Dentistry	115	343	470	1,401	479	1,429	489	1,457						
Gastroenterology	375	489	1,528	1,997	1,559	2,037	1,590	2,078						
Primary Services Subtotal	490	833	1,998	3,398	2,038	3,466	2,079	3,535						
Hematology/Oncology	43	55	174	225	178	230	181	235						
Neurology	30	32	122	130	125	132	127	135						
Secondary Services Subtotal	73	87	297	355	303	362	309	369						
Total Shift from OR to Procedure Room	562	920	2,295	3,753	2,341	3,828	2,388	3,905						

The purposes of the procedure rooms are 1) to provide the proper lower intensity surgical environment for primarily dentistry and gastroenterology cases, supplemented by a lesser number of neurology and

hematology/oncology cases; 2) enable the offloading of these cases in the main surgery ORs so that additional surgical OR capacity is available; and 3) to replace part of total surgical capacity due to the loss of one main surgical OR to accommodate the iMRI unit support space. Based on the State standard of 1,500 hours per year, the volume of 3,905 hours in the procedure rooms justifies 2.6 rooms (3).

The bottom row of the first table is the total of combined surgical OR and procedure room utilization. In the aggregate, the 20 ORs and 3 procedure rooms will accommodate 38,454 hours in year 2026. This volume is 1,672 hours per room for the 23 rooms, exceeding the State standard.

b) Magnetic Resonance Imaging

The four MRI's at Lurie Children's main hospital provided 12,220 procedures (3,055 per unit) in 2020 and 13,606 procedures (3,400 per unit) in 2021. Both years exceeded the State standard of 2,500 procedures per MRI. Due to COVID, volumes for these two years are down from an average above 14,500 for the two previous years. The addition of a fifth MRI is supported by these historic volumes.

The following table shows the anticipated utilization of the 5th MRI. Its primary function is to provide real-time information for neurosurgical cases being done in an adjacent operating room. This is a relatively small volume, ranging from an estimated 78 procedures in 2024 to 124 procedures in 2026. The iMRI is also accessible for imaging on other patients at Lurie Children's, some of which are surgical patients and some are not. While total utilization of this specialized iMRI will remain low, it can take some volume from the other four MRIs at Lurie Children's, which are forecast to grow in procedures by 3% per year.

Historic and Projected Utilization

MRI Procedures	Historic Utilization				Projected Utilization				
	2018	2019	2020	2021	2022	2023	2024	2025	2026
MRIs at Lurie Childrens (current 4)	14,571	14,473	12,220	13,606	14,000	14,420	14,853	15,298	15,757
iMRI new unit - intraoperative							78	121	124
iMRI new unit - non intraoperative				ĺ			272	420	433
Total MRI Procedures	14,571	14,473	12,220	13,606	14,000	14,420	15,203	15,839	16,314

c) GI Motility

The Neurointestinal and Motility Program at Lurie Children's Hospital is the only comprehensive motility program in Illinois and one of only a few in the country. This program provides specialized services to children and adolescents who have disorders of the upper and lower GI tracts. Specialized studies and tests are done in the motility center, some of which require up to six to ten hours of time. These include (with average times in parenthesis): anorectal manometries (1 hour), breath tests (3 hours), colonic manometries (10 hours), duodenal motility studies (10 hours), esophageal motility studies (1.5 hours), gastric motility studies (2 hours), Pill cam (1 hour), EndoFLIPS – functional luminal imaging (4 – 5 hours), aerodigestive program studies (including EGD with esophageal biopsies (36 – 45 minutes) and impedance pH probe studies (60 minutes)), and other studies. Descriptions of some of these conditions is included in the Purposes of the Project section.

The program is started in 2016. The first two years were challenging due to difficulties with recruiting an adequate number of key personnel and obtaining sufficient clinical equipment, with demands for services outpacing the ability to keep up. Lurie Children's has recruited four MDs and 2 APNs, enabling the adequate staffing of all cases. Additionally, new equipment will mitigate existing equipment problems that have arisen, in part due to overuse, resulting in some of the component services being shut down for weeks at a time.

The start-up of the program makes forecasting difficult, as well as the significant variance of time required for the different kinds of cases. The table below shows a historic annual average growth of 21% in hours of tests and studies for the two rooms currently in the program. Anticipating acceleration of the program due to resolving the equipment issues anticipates 1,546 studies/exams in 2026. It is important to factor in the lengthy time requirements of some of these studies. In doing so, a volume of 3,865 hours is forecast for 2026. As referenced in the Project Services Utilization section, Lurie Children's requests that this measure of "equivalent visits" be used to evaluate future program utilization.

Historic and Projected Utilization

installed and inspected out.									
GI Motility	Historic Utilization				Projected Utilization				
•	2018	2019	2020	2021	2022	2023	2024	2025	2026
GI Motility (2 rooms)									
Studies / exams (cases)	443	491	476	563	750	894	1,470	1,285	1,546
Studies / exams (hours)	965	1,110	1,227	1,575	1,873	2,234	2,673	3,209	3,865
GI Motility (tilt table rm)									
Cases	16	6	22	9	0	145	170	195	208
Hours	32	12	44	18	0	290	340	390	416
TOTAL GI Motility Hours	997	1,122	1,271	1,593	1,873	2,524	3,013	3,599	4,281

The availability of the tilt table in an additional dedicated room is an important part of the GI motility program. With this capability, Lurie Children's is the only hospital in the country that provides autonomic testing combined with GI care for pediatric patients. It is anticipated that the exclusive use of this room for tilt table supported testing will increase to 4 studies per week, or 208 per year (416 hours). Adding this volume to the 3,865 hours for the specialized GI motility studies results in 4,218 hours.

Considered together, these three rooms accommodate over 4,200 equivalent visits. This level of utilization surpasses the 4,000 visit standard for two rooms, based on 2,000 visits per year per room, hence supporting the need for a third room.

3. Utilization

The following table summarizes the projected utilization for 2026 for the component clinical parts of the project. The utilization forecasts aggregate volumes associated with the proposed new clinical rooms and the new MRI with existing facilities and equipment at Lurie Children's Hospital. In this way, the total departmental and program utilization is shown to meet State standards.

	Year 2026 Utilization	State Standard
Surgical ORs and procedure rooms	38,454 hours, 23 rooms	<u> </u>
	1,672 hrs per room	1,500 hrs/rm/yr
MRI	16,314 hours, 5 MRI	
	3,263 procedures per unit	2,500 procedures per unit
GI Motility rooms	4,281 visit hours, 3 rooms	
	2.15 rooms required	2,000 visits per room

Section 1120.120 AVAILABILITY OF FUNDS

Financial Statements

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidated Financial Statements August 31, 2021 and 2020

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Index August 31, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors of Children's Hospital of Chicago Medical Center and Affiliated Corporations

We have audited the accompanying consolidated financial statements of Children's Hospital of Chicago Medical Center and Affiliated Corporations ('the Medical Center'), which comprise the consolidated balance sheets as of August 31, 2021 and 2020, and the related consolidated statements of operation and change in net assets and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Medical Center's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Hospital of Chicago Medical Center and Affiliated Corporations as of August 31, 2021 and 2020, and the results of their operations and changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, the Medical Center changed the manner in which it accounts for leases in 2021. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

Vnicenathoradopus LLP Chicago, Illinois

Chicago, Illinois January 21, 2022

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidated Balance Sheets August 31, 2021 and 2020

	2021	2020
Assets		
Current assets	\$ 58.931,786	\$ 28,299,259
Cash and cash equivalents	14,000,000	5,517,000
Current portion of self-insurance trust Patient accounts receivable, net	221,266,917	233,649,273
Other current assets	93,338,681	89,092,129
Total current assets	387,537,384	356,557,661
Investments	1,820,944,823	1,491,471,433
Property and equipment, at cost		05 040 506
Land	39,588,666	35,242,506 1,228,119,009
Buildings and improvements	1,251,029,460 486,014,496	463,317,980
Equipment	25,747,88 <u>6</u>	21,361,044
Construction in progress	1,802,380,508	1,748,040,539
Total property and equipment, at cost	767,658,037	677,872,494
Less: Accumulated depreciation Property and equipment, net	1,034,722,471	1,070,168,045
Operating lease right-of-use assets	112,914,422	
,		
Other assets Pledges receivable restricted by donors, net	58,778,582	67,698,845
Other	13,069,667	24,071,234
Total other assets	71,848,249	91,770,079
Total assets	\$ 3,427,967,349	\$ 3,009,967,218
Liabilities and Net Assets		
Current liabilities	\$ 208,462,254	\$ 199,102,104
Accounts payable and accrued expenses	14,000,000	5,517,000
Current portion of self-insurance liability	32,898,502	31,473,696
Due to third-party payors	13,745,052	• 1,11 =,===
Current portion of operating lease liabilities Current portion of long-term debt	5,920,000	5,640,000
Total current liabilities	275,025,808	241,732,800
Other liabilities Self-insurance liability	142,873,480	126,649,022
Other noncurrent liabilities	22,017,865	62,584,666
Total other liabilities	164,891,345	189,233,688
Long-term operating lease liabilities	125,252,868	-
Long-term debt	342,948,854	349,609,925
Total liabilities	908,118,875	780,576,413
Net assets		
Net assets without donor restrictions	1,990,945,512	1,727,317,238
Net assets with donor restrictions	528,902,962	502,073,567
Total net assets	2,519,848,474	
Total fiabilities and net assets	\$ 3,427,967,349	\$ 3,009,967,218

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidated Statements of Operation and Change in Net Assets Years Ended August 31, 2021 and 2020

	2021	2020
Operating revenue Net patient service revenue	\$ 1,141,149,793	\$ 1,090,283,004
Net assets released from restriction Contributions and philanthropy used for program purposes	59,121,560	50,321,832
Grants and other restricted income used for	64,672,484	60,724,474
program purposes Board-designated endowment income	10,547,994	10,231,046
Other operating revenue	91,392,255_	117,925,866
Total operating revenue	1,366,884,086	1,329,486,222
Operating expenses Salaries, wages, and employee benefits Supplies and services Depreciation Total operating expenses	801,541,202 452,573,024 91,656,138 1,345,770,364	795,973,897 426,984,837 88,226,042 1,311,184,776
Income from operations before interest and amortization	21,113,722	18,301,446
Interest and amortization of financing costs	16,601,215	<u>16,638,682</u>
Income from operations	4,512,507	1,662,764
Nonoperating income (expense) Investment return gains Unrestricted contributions and bequests Fundraising expense Loss on disposal of fixed assets Other	240,676,864 20,676,455 (18,328,955) (91,078) 3,329,750	
Total nonoperating income/(expense)	246,263,036	69,055,656
Excess of revenue over expenses	\$ 250,775,543	\$ 70,718,420

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidated Statements of Operation and Change in Net Assets Years Ended August 31, 2021 and 2020

	2021	2020
Net assets without donor restrictions Excess of revenue over expenses Net assets released from restriction	\$ 250,775,543	\$ 70,718,420
used for purchase and construction of property and equipment	1,949,511	2,433,912
Retirement plan related change other than net periodic retirement plan expense	6,675,809	4,861,090
Other	4,227,411	2,208,140
Increase in net assets without donor restrictions	263,628,274	80,221,562
Net assets with donor restrictions	40 407 000	EC 420 C15
Contributions	42,187,036	
Grants and other restricted income	65,742,056 4,598,320	
Change in fair value of perpetual trusts	4,5 5 6,520 39,953,912	
Investment return	39,933,912	11,210,010
Pledge receivable write-offs, net of change in allowance Net assets released from restriction	91,626	(18,859)
Contributions and philanthropy used for program purposes Grants and other restricted income used for	(59,121,560	(50,321,832)
	(64,672,484	(60,724,474)
program purposes Purchase of property and equipment	(1,949,511	
Increase in net assets with		
donor restrictions	26,829,395	21,214,735
Increase in net assets	290,457,669	101,436,297
Net assets		
Beginning of year	2,229,390,80	2,127,954,508
End of year	\$ 2,519,848,474	\$ 2,229,390,805

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidated Statements of Cash Flow Years Ended August 31, 2021 and 2020

Years Ended August 51, 2521 511		2021	2020
Cash flows from operating activities	\$	290,457,669 \$	101,436,297
turness in not assets			
Adjustments to reconcile change in net assets to			
		(240,676,864)	(74,932,332)
		(50,355,496)	(19,285,919)
Pestricted contributions and restricted investment		91,078	81,694
to an an diagonal of fived ASSEIS			(7.544.042)
Net assets transferred from newly amiliated entity		(4,792,064)	(7,514,012)
Receipt of contributed securities		(3,439,975)	6,649,849
Investment (gain)/loss - CIN and MCC			(4.004.000)
Detirement plan related change other than		(6,675,809)	(4,861,090)
net periodic retirement plan expense		90,977,782	87,450,399
Depreciation		11,396,358	40.000.027
Amortization of operating lease right-of-use assets		17,819,391	10,862,937
Provision for doubtful accounts			40.040.652
Net changes in assets and liabilities		(5,437,034)	12,810,652
Accounts receivable, net		16,752,520	(12,925,458)
Accounts payable and accrued expenses		1,424,806	(1,153,524)
Due to third-party payors		24,707,458	8,772,359
Self-insurance liability		(7,049,681)	(3,174,457)
Other assets and liabilities	_	135,200,139	104,217,395
Net cash provided by operating activities	-		
Cash flows from investing activities		(60,235,621)	(80,697,180)
Capital expenditures		1,324,516,787	2,289,105,740
Sales of investments		(1,37 <u>1,005,542)</u>	(2,323,003,881)
Purchases of investments			(114,595,321)
Net cash used in investing activities		(106,724,376)	(111,000,00
			(5,375,000)
Cash flows from financing activities		(5,640,000)	25,000,000
Principal payments under long-term debt obligations		•	(25,000,000)
Proceeds from line of credit		-	(25,000,000)
Payment of line of credit			9,118,076
Proceeds from restricted contributions and		7,796,764	
restricted investment income		2,156,764	3,743,076
Net cash provided by financing activities		30,632,527	(6,634,850)
Decrease in cash and cash equivalents		00,000	
		28,299,259	34,934,109
Cash and cash equivalents			
Beginning of year		\$ 58,931,786	\$ 28,299,259
End of year			
Supplemental disclosures of cash flow information		\$ 14,357,000	\$ 14,620,000
Cash paid during the year for interest		ψ (1,00±1,1==	
Cash paid during the year for unrelated		400,000	500,000
husinger income taxes		5,521,000	9,392,000
a war a far was north and equilibrial		0,021,000	
Noncash additions to property and equipment Operating lease right-of-use assets obtained in exchange for		132,160,000	-
lease obligations		102, 100,000	
IEBSE ODINGGEO			

Organization and Nature of Operations

Children's Hospital of Chicago Medical Center (the 'Medical Center'), an Illinois not-for-profit corporation, is the sole member of Ann & Robert H. Lurie Children's Hospital of Chicago (the 'Hospital'), an Illinois not-for-profit corporation. The Hospital was founded in 1882 by Julia Foster Porter to provide medical care for all children. Today, the Medical Center and its affiliates comprise an independent, freestanding academic institution dedicated to the health and well-being of all children. The Medical Center is also the sole member of Ann & Robert H. Lurie Children's Hospital of Chicago Foundation (the 'Foundation'), Stanley Manne Children's Research Institute (the 'Research Institute'), Pediatric Faculty Foundation, Inc. ('PFF') Almost Home Kids ('AHK'), Lurie Children's Surgical Foundation, Inc. ('LCSF'), and Lurie Children's Pediatric Anesthesia Associations ('LCPAA'), all Illinois not for-profit corporations. Each of the following entities: Lurie Children's Medical Group, LLC ('LCMG'), Lurie Children's Health Partners Care Coordination, LLC (the 'CCE') and Lurie Children's Primary Care, LLC ('LCPC') are Illinois limited liability companies whose sole member is the Medical Center. The Medical Center is also the parent of CMMC Insurance Co. Ltd. ('CMMC Insurance'), a captive, offshore insurance entity organized under the laws of the Cayman Islands. The Children's Hospital of Chicago Faculty Practice Plan, Inc. ('FPP') is an Illinois not-for-profit affiliate of the Medical Center effective September 1, 2018. The Hospital, Foundation, Research Institute, PFF, AHK, LCSF, LCPAA, LCMG, CCE, LCPC CMMC Insurance and FPP are collectively referred to herein as the Affiliated Corporations.

The Hospital owns and operates a pediatric hospital in Chicago, Illinois with 364 licensed beds as of August 31, 2021. The Hospital provides a complete range of pediatric health care services, including pediatric inpatient medical and surgical care, tertiary and quaternary care services, and emergency services. The Hospital operates more than 50 specialty and primary care outpatient clinics at its main campus in the Streeterville neighborhood of Chicago and throughout the metro Chicago area, as well as two Ambulatory Surgical Treatment Centers ('ASTC') facilities and fifteen outpatient specialty centers in the surrounding metro Chicago area.

The Foundation carries out fundraising and other related development activities in support of the Medical Center and its affiliates. The Foundation supports comprehensive capital campaigns aligned with the Medical Center's strategic plans. Restricted contributions support specific programs, recruitments, and research, in addition to unrestricted contributions which, not only offset fundraising expense, but also contribute to the Hospital's greatest areas of need.

The Research Institute was established to improve pediatric health and health care services through research and education. Its role is to build a scientific community in support of treatments and cures within pediatric medicine which span the laboratory bench to the patient's bedside. The Medical Center in conjunction with Northwestern University completed and commissioned the research facility at the Simpson Querrey Biomedical Research Center in Chicago in June 2019.

PFF provides physician services to a broad pediatric population in Chicago and surrounding counties and across the State of Illinois, employing more than 565 pediatric primary care and subspecialty physicians. A portion of research activity also flows through PFF.

LCMG, with more than 60 employed physicians, provides pathology, medical imaging, psychiatry, and dentistry services to the Hospital and its patients.

AHK is a unique organization providing transitional and respite care for medically complex children outside the acute care setting.

CMMC Insurance is a captive, offshore insurance entity whose sole function is to purchase reinsurance for the purpose of reducing risk and cost. It currently does not retain risk. CMMC Insurance has no employees and is managed on behalf of the Hospital by an independent Cayman Islands-based management company.

The CCE exists for the provision and coordination of medical care of medically complex children, contracting with Managed Care Organizations ('MCO's') and commercial health plans to provide care coordination services to children within their plans that have complex medical needs.

LCPC provides primary care services to Chicago residents and surrounding areas with over 20 primary care pediatricians and three primary care locations.

In April 2014, the Medical Center became one of eleven partners of Accountable Care Chicago, LLC, doing business as MyCare Chicago ('MCC'). As of October 2016, MCC began dissolving after transitioning all members and network management to a third party and upon dissolution, care coordination was terminated. MCC was fully dissolved during fiscal year 2021. The Medical Center's investment in MCC as of August 31, 2020 was \$36,000, subsequent to cash distributions.

In June 2014, the Medical Center, Children's Community Physicians Association ('CCPA'), and FPP formed Lurie Children's Health Partners Clinically Integrated Network, LLC, an Illinois limited liability company (the 'CIN'). The CIN is an integrated healthcare network focused on creating value-based reimbursement programs with payors that support improving the health and well-being of children and their families. The CIN has a twelve-member board of which CCPA appoints six, FPP appoints four, and the Medical Center appoints two. CCPA is committed to a three percent capital position, while the Medical Center and FPP are committed to a ninety-seven percent capital position. During fiscal year 2021, \$464,000 of income was returned to the Medical Center. As the Medical Center does not have governance control, the CIN is not a consolidating entity but rather accounted for under the equity method.

LCSF provides pediatric surgical services to the Hospital and its patients, employing more than 75 surgeons among nine subspecialty divisions.

LCPAA provides pediatric anesthesia and pain management services to the Hospital and its patients employing more than 35 anesthesiologists.

FPP provides credentialing services for physicians employed by the affiliates of the Medical Center, administration of physician benefits and third-party reimbursement contracting services for PFF, LCPAA, LCSF and LCMG, comprising of over 800 physician members.

Consolidation

The accompanying consolidated financial statements of the Medical Center include the accounts of the Hospital, the Foundation, the Research Institute, PFF, LCMG, AHK, the Medical Center, CMMC Insurance, CCE, LCPC, LCPAA, LCSF and FPP. Intercompany transactions and accounts have been eliminated.

The accompanying consolidating balance sheets and consolidating statements of operation and change in net assets without donor restrictions by entity as of August 31, 2021 and 2020 are provided for purposes of additional analysis and are not required as part of the consolidated financial statements. They have been prepared in a manner consistent with generally accepted accounting principles ('GAAP') and are presented only for purposes of additional analysis and not as a presentation of financial position and results of operations of each component of the combined group. The supplemental consolidating financial information was derived from the accounting records used to prepare the consolidated financial statements. All intercompany eliminations have been recorded.

Coronavirus Update

The outbreak of the Novel Coronavirus (COVID-19) pandemic in early 2020 warranted an unprecedented response by federal, state and local authorities. To reduce the spread of the disease a public health emergency was declared. On March 20, 2020, the Governor of Illinois issued a stay-at-home order (Executive Order 2020-10), which stated that all individuals must stay at home with the exceptions for essential activities, essential government functions, and essential businesses and operations. Healthcare organizations were ordered by both the State of Illinois and the City of Chicago to cancel or postpone virtually all elective surgical procedures and nonemergency care through May 2020. The Medical Center suffered adverse lost revenue due to cancelled healthcare service and unexpected expenses incurred to control the spread of COVID-19. To ameliorate the economic effect of the stay-at-home order, Congress passed the Coronavirus Aid, Relief and Economic Security Act ('CARES Act') in late March 2020, which approved grants and aids to help healthcare institutions respond to the adverse financial impact of the COVID-19 pandemic. In fiscal years 2021 and 2020, the Medical Center applied and received grant and stimulus payments of approximately \$13,695,000 and \$50,700,000, respectively from the CARES Act to curtail the effect of lost revenue and expenses incurred to control and reduce the spread of COVID-19. These grants and stimulus payments were recorded in other operating revenues. In addition, the Medical Center elected to defer payments related to the employer's share of Social Security taxes as part of the CARES Act. A total of \$21,887,000 in payroll taxes was deferred and is included within Accounts Payable and Accrued Expenses within the accompanying consolidated balance sheet as of August 31, 2021. A total of \$10,944,000 was paid December 2021, with the remaining balance to be paid by December 31, 2022.

Terms and conditions surrounding the recognition of these CARES Act provider relief funds may be subject to change by U.S. Department of Health and Human Services ('HHS') and could require the Medical Center to repay a portion of amounts received. HHS continues to release additional guidance and clarification regarding the treatment of these CARES Act provider relief funds. The Medical Center believes that any liabilities arising from such changes may have a material effect on its financial position depending on revisions by HHS. At this time the Medical Center has submitted the required attestations and reporting for each of the grants and stimulus payments received.

The COVID-19 pandemic and related actions taken by federal, state and local governments in response may materially impact the Medical Center's financial position and its results of operations. The extent of the impact to the Medical Center will depend on future developments beyond its control, including the overall duration and spread of the pandemic, and cannot be fully determined at this time. In addition, there continues to be an ongoing risk that COVID-19 could impact future revenues, particularly within the emergency department and corresponding inpatient activity.

Income Taxes 2.

Under Section 501(c)(3) of the Internal Revenue Code, the Medical Center, the Hospital, the Research Institute, the Foundation, PFF, FPP, AHK, LCSF and LCPAA are all Illinois not-for-profit organizations exempt from federal and state income taxes.

Certain activities of the Hospital are taxable as unrelated business income. Such activities include earnings from alternative investments, reference laboratory, and parking benefits. As of August 31, 2021, and 2020 \$800,000 and \$710,000 were recorded respectively as provision for unrelated business income tax and included in other nonoperating expense in the consolidated statements of operation and change in net assets. In December 2019, Congress passed a measure that retroactively repealed the parking benefits unrelated business income tax provision that requires tax-exempt organizations to include in unrelated business taxable income the amounts they pay or incur on qualified transportation fringe benefits. The Medical Center and affiliates amended its prior unrelated business income tax returns as a result of the repeal of this provision. LCMG, CCE and LCPC are disregarded entities treated as divisions of the Medical Center for Internal Revenue Service ('IRS') reporting.

Summary of Significant Accounting Policies 3.

Effective September 1, 2020, the Medical Center adopted the Financial Accounting Standards **Accounting Pronouncements** Board ("FASB") Accounting Standards Update ("ASU"), No. 2016-02, Leases (Topic 842). The ASU requires entities to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Lessees will recognize a right-of-use asset and a lease liability for most leases and classify as either an operating or a financing lease. The guidance significantly changes lessee accounting for leases and impacts financial statement presentation. The Medical Center adopted the ASU using a modified retrospective approach and elected the package of practical expedients permitted under the transition guidance within the ASU. On September 1, 2020, the adoption resulted in an increase of \$132,160,000 in right-of-use assets, net of prepaid rent, unamortized lease incentives and deferred lease obligations previously recorded prior to the adoption, and \$164,169,000 of operating lease liabilities.

Effective September 1. 2020, the Medical Center adopted ASU no. 2018-09, Codification Improvements. The ASU may result in additional assets included in an entity's fair value disclosure table, if among other criteria, net asset value has public visibility. There was no significant impact to the Medical Center's consolidated financial statements as a result of the adoption.

Effective September 1, 2020, the Medical Center adopted ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to Disclosure Requirements for Fair Value Measurement. The ASU removes, modifies and adds certain disclosure requirements on fair value required by Topic 820. The ASU did not have a material impact on the consolidated financial statements as a result of the adoption.

Effective September 1, 2020, the Medical Center adopted ASU 2016-18, Statement of Cash Flows: Restricted Cash, which requires total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. There was no significant impact to the Medical Center's consolidated financial statements, as the Medical Center's restricted cash and cash equivalents are not material and therefore not required to present the restricted cash and cash equivalents within the accompanying consolidated statement of cash flows.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires disclosure changes related to the income statement presentation of the components of net periodic benefit cost for defined benefit pension and other post retirement plans. The ASU requires entities to disaggregate the current service cost component from the net periodic benefit cost and continue to present it within salaries, wages and employee benefits on the income statement. The other components of net periodic benefit cost, including interest costs, investment returns, amortization of prior balances, and settlement costs, are now required to be presented in the income. The Medical Center adopted this standard as of August 31, 2020. The ASU is required to be implemented retrospectively and resulted in \$989,000 of nonservice pension costs being reclassified from salaries, wages and employee benefits expense to nonoperating income/expenses in the statements of operation and changes in net assets for fiscal year ending August 31, 2019.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entitles (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities. Additional disclosures around qualitative information and any policies on monetization, description of any donor-imposed restrictions and a description of valuation techniques are also required. The Medical Center is currently reviewing the requirements of the ASU and evaluating the impact. The ASU is required to be implemented in fiscal year 2022.

In August 2018, the FASB issued ASU No. 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans. The ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU allows entities to remove disclosure over accumulated comprehensive income and certain information regarding plan assets. The ASU also requires entities to add disclosures for significant gains and losses impacting the benefit obligation and significant changes in the benefit obligation or plan assets. The Medical Center is currently reviewing the requirements of the ASU and evaluating the impact. The ASU is required to be implemented in fiscal year 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Medical Center to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Medical Center considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient accounts receivable and net patient service revenue, both of which include contractual allowances, third- party payor settlements, and provisions for doubtful accounts; reserves for losses and expenses related to health care professional and general liabilities; valuation of alternative investments; accrued self-insurance related costs; and risks and assumptions in the measurement of pension liabilities. Management relies on historical experience, other assumptions believed to be reasonable under the circumstances, and recommendations made by the Medical Center external advisors and actuaries in making its judgments and estimates. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted, undesignated marketable securities with original maturities of three months or less that are held for short-term cash management. Cash and cash equivalents are reported at their approximate fair value.

Current Portion of Self-Insurance Revocable Trust

Current portion of self-insurance trust represents investment assets earmarked for self-insurance trust payments due within a year. See Note 6 for additional disclosures.

Accounts Receivable, Net of Allowance for Uncollectible Accounts

Patient accounts receivable consists primarily of amounts owed by various governmental agencies, insurance companies and patients. The Medical Center manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. The Medical Center reports accounts receivable at an amount equal to the consideration it expects to receive in exchange for providing healthcare services to its patients, which is estimated using contractual provisions associated with specific payors, historical reimbursement rates and analysis of past experience to estimate potential adjustments. The Medical Center writes off amounts that have been deemed to be uncollectible because of circumstances that affect the ability of payors to make payments as they occur. See Note 9.

Inventory

Inventories, which primarily consist of medical supplies and pharmaceuticals used for patient care, are stated at the lower of cost or net realizable value, using the first-in, first-out method.

Investments

The Medical Center pools its donor restricted, self-insurance, undesignated and board-designated investments. Investment returns are allocated among net assets without donor restrictions and net assets with donor restrictions based on the pro-rata share of the balance in each fund to the total investment pool as of the end of each accounting period.

Investment income earned, at a fixed rate, on certain funds that are board-designated for patient care, education and the self-insurance trust are reported as other operating revenue. All other investment income and losses (including interest and dividends, realized gains and losses, and unrealized gains and losses) are reported as nonoperating income (loss) unless the income or loss is restricted by donor or law. Investment returns on net assets with restrictions are allocated to the purposes specified by the donor or law, either as net assets with donor restrictions or net assets without donor restrictions, as applicable.

Fair Value of Financial Instruments

Financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable, pledges receivable, insurance receivable, accounts payable, accrued expenses, estimated third party payor settlements, and long-term debt. Except as otherwise disclosed, the fair value of financial instruments approximates the financial statement carrying amount.

Property and equipment are recorded at cost. Internal labor and interest expense incurred during the period of construction of significant capital projects are capitalized as a component of the cost of the asset.

Depreciation is calculated using the straight-line method over the estimated useful life of the assets. One-half year's depreciation is taken in the year of acquisition, except for significant asset additions such as the Hospital's facility, which is depreciated based on the actual date placed into service. The useful life of the major asset classifications are as follows:

	40-80 years
Buildings	15-20 years
Building improvements	5-20 years
Equipment	3-5 years
Computer hardware and software	-

In 2021 and 2020, the Medical Center disposed of fully depreciated assets of \$2,301,000 and \$5,748,000, respectively, of property, equipment and software that were no longer in use. The carrying amount of the asset and accumulated depreciation were removed from the accounts. When factors indicate that such assets should be evaluated for possible impairment, the Medical Center uses an estimate of the undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. Repair and maintenance costs are expensed as incurred.

Operating Lease Right-of-Use Assets and Lease Liabilities

The Medical Center evaluates whether an arrangement is, or contains, a lease at inception. Leases result in the recognition of a right-of-use asset and lease liability in the accompanying consolidated balance sheet. Right-of-use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Medical Center determines the lease classification at the lease commencement date.

The lease liability is measured at the present value of the future lease payments over the lease term. The right-of-use asset equals the lease liability adjusted for any lease payments made at or before the commencement date and initial direct costs. The Medical Center has elected to use a risk-free rate using a period comparable with the lease term. The Medical Center has also elected a policy to combine lease and nonlease components. The lease term will include options to extend the lease if the Medical Center is reasonably certain to exercise the option. Lease expense is recognized on a straight-line basis over the lease term.

Pledges Receivable Restricted by Donors

As of August 31, 2021, approximately 21% of pledges restricted by donors are receivable within one year, 54% between two and five years, and 25% receivable beyond five years. Pledges are recorded at the present value of estimated future cash flow, net of allowances for uncollectible pledges of \$2,084,000 and \$2,343,000 at August 31, 2021 and 2020, respectively, and present value discounts of \$20,357,000 and \$21,362,000 at August 31, 2021 and 2020, respectively. Estimated future cash flows due after one year are discounted using interest rates of 3.5% to 8% commensurate with estimated collection risks.

Bond issuance costs are deferred and amortized using the effective interest method over the life of the related debt as an increase to interest expense. These costs include items such as document preparation costs, underwriting fees, and other external, incremental expenses paid to advisors that directly relate to the financing. The amount of bond issuance costs and unamortized underwriter fees were \$3,120,000 and \$3,364,000 at August 31, 2021 and August 31, 2020, respectively.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent payables owed in the ordinary course of business and expenses incurred but not yet paid by the Medical Center, including payroll incurred by the Medical Center and its affiliates, and insurance payables incurred but not yet paid.

Current and Noncurrent Portions of Self-Insurance Liability

The self-insurance trust and corresponding liability are reviewed annually by an independent actuary. The Medical Center contributes to the self-insurance trust estimated amounts determined by the actuary to be sufficient to pay for expected future losses. Provisions for the professional liability are based on an actuarial estimate of losses using the Medical Center's actual loss data adjusted for industry trends and current conditions. The provision includes estimates of costs for both reported claims and claims incurred but not reported. See Note 13.

Due to third-party payors represents accruals for settlements with third-party payors, any agency **Due to Third-Party Payors** that contracts with the Medical Center or its affiliates and patients to pay for the care of covered patients. Accruals are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the State Medicaid program, the Blue Cross Plan of Illinois and the Federal Medicare program.

Net assets are classified based upon donor restrictions, if any, as follows: Net assets without donor restrictions and Net assets with donor restrictions.

Net assets that bear no external restriction as to use or purpose are classified as net assets without donor restrictions. This represents net assets which are free of donor-imposed restrictions, including all revenues, expenses, gains, and losses. Also included in this classification are assets whose use is limited under Board-Designated funds for mission-related activities in support of the Medical Center.

Net assets with donor restrictions represents net assets whose use is limited by donor-imposed restrictions, time restrictions and those stipulations that can be fulfilled or otherwise removed by actions of the Medical Center. Net assets with donor restrictions include endowment funds primarily related to pledges receivables, grants, research, medical education, program support and net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Medical Center. Refer to Note 8 for further disclosure on endowments and related investment and spending policies.

Consolidated Statement of Operations and Change in Net Assets

All activities of the Medical Center deemed by management to be ongoing, major and central to the provision of healthcare services are reported as operating revenues and expenses. Other activities deemed to be nonoperating include: unrestricted gifts, fundraising expenses and certain investment income (including realized gains and losses).

The consolidated statements of operation and change in net assets include the excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from the excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets, pension benefit changes other than net periodic expense and the release of restriction for the purchase and construction of property and equipment.

Net Patient Service Revenue

The Medical Center provides health care services through various inpatient, outpatient, and ambulatory care facilities. The performance obligation is measured from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Outpatient services are performance obligations generally satisfied at a point in time and revenue is recognized when goods or services are provided. Medical Center believes that this method provides a fair depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. The Medical Center recognizes inpatient revenue over time (on a daily basis), while outpatient revenue is recognized at a point in time at the amount that reflects the consideration to which it expects to be paid for providing such care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and include variable consideration for retroactive adjustments due to settlement of audits and reviews by Illinois Medicaid and other third-party payors, and amounts received under various state Medicaid hospital assessment and disproportionate share programs. These amounts are recognized net of contractual allowance from various third-party arrangements and after consideration of patient ability to pay the self-pay portion of the charges. The Medical Center and affiliates bill patients and third-party payors after goods and services are provided and/or when a patient is discharged.

The Medical Center, the Hospital or any of the affiliated entities are entitled to a payment from the insurer, and a related deductible or coinsurance payment from the patient, for all goods and services related to the inpatient stay or outpatient services.

Because all of the performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption provided in FASB ASU 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which typically occurs within days or weeks of the end of the Medical Center's reporting period.

The Medical Center determines the transaction price based on standard charges for goods and services provided to patients reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with the Medical Center's policy, and/or implicit price concessions provided to uninsured and underinsured patients. It determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Medical Center determines its estimate of implicit price concessions based on the aging of its patient accounts receivable, historical collection experience with uninsured and underinsured patients, and other relevant factors.

The Medical Center uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient, outpatient, and physician professional and outpatient revenue. Based on historical collection trends and other relevant factors, the Medical Center believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

The Medical Center has agreements with third-party payors that provide payments at amounts different from its established rates. A summary of the payment arrangements with major thirdparty payors are explained further below.

Illinois Medicaid and Medicaid Managed Care Organizations

Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments and fee schedules.

The State of Illinois' Medicaid program has operated with budget deficits. The deficits include the continued practice of deferring Illinois Medicaid bills to future periods and have led to the State of Illinois' slowdown in claims processing and payments.

As of August 31, 2021, and 2020, the Medical Center's patient accounts receivable included amounts due from Illinois Medicaid and Medicaid Managed Care Organizations of approximately \$112,068,000 and \$154,348,000, respectively, representing approximately 50% and 66%, respectively, of outstanding receivable.

Managed Care, Commercial Insurance and Other

Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and fee schedules.

Commercial and Medicaid health insurers are entering into various fee-for-value reimbursement programs with qualifying providers. In 2021 and 2020, the Medical Center through CIN, participated in several commercial Accountable Care organization ('ACO') programs that provide limited risk and gain sharing based on performance of an attributed population of children compared to established cost, quality and patient satisfaction related goals. Risk sharing is limited to less than 1% of net revenue. CIN obtains reinsurance to reduce the risk of loss related to sharing programs and conducts a number of programs intended to improve performance under these programs, including providing care coordination to certain members. The composition of net patient service revenue by payor for the years ended August 31, 2021 and 2020, is as follows:

	2021			2020		
Managed Care	\$	722,029,942	\$	668,123,508		
Illinois Medicaid		85,165,364		117,505,897		
Medicaid Managed Care		303,454,779		261,510,698		
Patient Self-Pay		952,039		3,686,480		
Other		29,547,669	_	39,456,421		
	\$	1,141,149,793	\$	1,090,283,004		

The Medical Center and affiliates grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at August 31, 2021 and 2020, is as follows:

	2021	2020
Managed Care	\$ 92,627,718	\$ 63,327,079
Illinois Medicaid	29,101,371	71,701,080
Medicaid Managed Care	82,967,087	82,590,887
Patient Self-Pay	6,145,976	2,778,236
Other	10,424,765	 13,251,991
	\$ 221,266,917	\$ 233,649,273

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory action including fines, penalties, and/or exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates may change in the near term.

The Medical Center recognizes changes in accounting estimates related to net patient service revenue reserves and third-party payor settlements in the year such changes are known. Adjustments to prior year estimates for these items resulted in an increase in net patient service revenue of approximately \$5,064,000 and \$3,555,000, respectively, in fiscal year 2021 and 2020.

Approximately 34% and 35% respectively, of the Medical Center's net patient service revenue in fiscal 2021 and 2020 was derived from the Illinois Medicaid program, including Medicaid MCO's.

In December 2008, the Centers for Medicare and Medicaid Services ('CMS') approved the Assessment Program to improve Medicaid reimbursement for Illinois hospitals. This original program included the Illinois Hospital Provider Assessment and subsequent enhancements. Due to the tax assessment provisions contained in the legislation, implementation of the program affected both operating revenues and expenses in the consolidated statements of operation and change in net assets.

In January 2015, the CMS approved Affordable Care Act ('ACA') access payments and expanded this program in June 2016. Both the Provider Assessment and enhancements as well as the ACA payments and expansion expired on June 30, 2018. The CMS approved the redesigned Hospital Assessment Program effective July 1, 2018. The redesigned program shifts some of the fixed Assessment payments to claims based payments.

The Medical Center is obligated under Illinois Public Act 95-859 to participate in the State of Illinois' Hospital Assessment Program ("HAP") that assists in financing the State's Medicaid Program. The programs are approved through June 30, 2020 and include a payment shift to live rates. Effective July 1, 2020, a revised HAP was put into place which shifted a portion of the payments to dynamic payments based on actual volumes. The revised program is approved through December 31, 2022. For the years ended August 31, 2021 and 2020, the Medical Center's Illinois Health Centers recognized supplemental HAP and related reimbursement of approximately \$65,482,000 and \$50,997,000, respectively, which is recorded as a component of net patient service revenue in the consolidated statements of operations and changes in net assets. For the years ended August 31, 2021 and 2020, the Medical Center's Illinois Health Centers recognized HAP related fees of \$25,086,000 and \$22,440,000, respectively, in the consolidated statements of operation and change in net assets.

The Medicaid Assessment Program and ACA payments described above are shown in the following table.

_		2021		2020
For fiscal year ended August 31 Tax assessment, included in net patient service revenue	\$	65,481,699	\$	50,996,695
Tax expense, included in supplies and service expense	<u>-</u>	(25,085,515) 40,396,184		(22,440,110) 28,556,585
Net statement of operation impact Related to State fiscal year ended June 30, 2020 Related to State fiscal year ended June 30, 2021 Related to State fiscal year ended June 30, 2022	\$	32,367,801 8,028,383	\$	22,123,987 6,432,598
Related to State fiscal year effect date do, 2022	\$	40,396,184	\$_	28,556,585

The Medical Center also received federal and state disproportionate share and add-on payments. The amount of disproportionate share and other special payments from Medicaid, if any, that will be made to hospitals in the future, is uncertain.

In fiscal 2021 and 2020, the Medical Center received approximately \$11,446,000 and \$11,363,000, respectively, in graduate medical education reimbursement. The Children's Hospital Graduate Medical Education ('CHGME') program provides federal funds to freestanding children's hospitals to aid in maintaining graduate medical programs that train resident physicians. The program is administered by the Health Care Resource Service Administration, a branch of the U.S. Department of Health and Human Services. The amount of future graduate medical education reimbursement funding is uncertain.

Grants and Contributions

Unrestricted contributions are included in nonoperating income when received. Unrestricted pledges of amounts to be received in future periods are recorded as net assets with donor restrictions and reflected as changes in net assets without donor restrictions when received. Grants and contributions restricted for a specific operating purpose are recorded as net assets with donor restrictions and reflected in unrestricted revenue when the funds are expended in accordance with the specifications of the grantor or donor. Contributions for capital expenditures, recorded as net assets with donor restrictions when received, are recorded as net assets released from restrictions when expended and placed into service.

Interest in Trustee-Held Funds

The Medical Center recognizes an interest in trustee-held funds held at various financial institutions in which the Medical Center has a beneficial interest. Annually, the financial institutions distribute a portion of the income earned on these funds to the Medical Center to be used in support of operations. As of August 31, 2021, and 2020, the Medical Center's interests in these trustee-held funds at fair value totaled approximately \$36,392,000 and \$31,793,000, respectively, and are included in net assets with donor restrictions.

Excess of Revenue Over Expenses

Excess of revenue over expenses performance indicators include income from operations in addition to investment return gains/(loss), unrestricted contributions and bequests, fundraising expense, gain/(loss) on disposal of fixed assets and other miscellaneous nonoperating income and expenses.

Changes in Net Assets

Net asset without donor restrictions changes include the net activity of the statement of operation as well as the release from restriction for purchase and construction of property and equipment and other than net periodic retirement plan expense changes.

Net asset with donor restrictions changes include receipts of contributions restricted by time or purpose and restricted funds, grants, investment returns, pledge receivable write-offs and change in the fair value of perpetual trusts. Also included are releases of philanthropic or grant funds for use in program services to cover expenses on the statement of operation.

Reclassification

Certain 2020 amounts have been reclassified to conform to the 2021 consolidated financial statement presentation.

4. Community Benefit

Consistent with its mission, the Medical Center maintains a policy that sets forth the criteria pursuant to which health care services are provided free of charge or at a reduced rate to children whose families are unable to pay for the charges associated with their medical care. These services represent charity care. Such amounts determined to qualify as charity care are not reported as net patient service revenue. The Medical Center grants credit without collateral to its patients, most of whom are local residents.

The Medical Center also provides a broad range of services and activities to support its charitable mission. These services include the following:

- Participation in the Medicaid program at a loss (net reimbursement less allocated cost incurred);
- Support of community medical needs through a variety of outreach programs and educational programs;
- Comprehensive research programs specifically targeted toward pediatric health to advance knowledge about the causes, treatment and prevention of childhood diseases; and
- Training of medical students, pediatric residents, fellows and subspecialists.

Funding for the services above comes from Hospital operating income, Foundation philanthropy, CHGME and Federal awards and grants. The Medical Center has an established charity care policy and maintains records to identify and monitor the level of charity provided. These records include the estimated cost of unreimbursed services provided under its charity care policy and the excess of cost over reimbursement for Medicaid patients. The Medical Center also monitors the unreimbursed cost of patient bad debts. Because the Illinois All Kids program provides coverage for most Illinois uninsured children, the Medical Center has a relatively low number of requests for charity care.

The Medical Center determines the costs associated with providing charity care by aggregating the overall cost to charge ratio, including salaries, wages, benefits, supplies, and other operating expenses. The cost to charge ratio is then applied to the charity care charges to calculate the charity care cost amount reported below.

Costs of unreimbursed charity care and community benefit programs for fiscal 2021 and 2020 are as follows:

as follows:		2021		2020
Excess of allocated cost over reimbursement for services provided to Medicaid patients	\$	202,762,694	\$	187,926,878
Net benefit under the Illinois Hospital		(40,396,184)		(28,556,585)
Assessment Program Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients, net of benefit under the Illinois Hospital Assessment Program		162,366,510		159,370,293
Estimated costs and expenses incurred to	_	1,873,129	_	4,649,996
provide charity care		164,239,639		164,020,289
Unreimbursed cost of charity care Cost of patient bad debts		6,038,090		4,605,514
Funds allocated to research from net assets without donor restrictions		17,993,718 24,351,813		20,033,482 23,481,549
Resident and fellows' expense		1,508,787		3,430,033
Community clinic support		6,586,172		6,343,703
Child advocacy programs Family support and interpretation services	_	10,272,264		9,623,828
Total cost of unreimbursed charity care and community benefit programs	9	230,990,483	\$	231,538,398

The Medical Center also reports community benefits on the IRS Form 990 and the beneficial activities for the property affidavit. As a result of differences in definitions and criteria between these reports the amounts calculated per report will vary.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

5. Other Current and Noncurrent Assets and Liabilities

Other current and noncurrent assets consist of the following:

	_	2021	_	2020
Other current assets:				
Outreach program receivables	\$	8,550,554	\$	9,776,279
Prepaid expenses		25,852,383		20,280,139
Inventory		17,244,898		16,569,882
Insurance receivables (Note 13)		21,776,830		22,937,890
Other	_	19,914,016	_	19,527,939
Total other current assets	\$	93,338,681	\$	89,092,129
Other assets (noncurrent):				
Pension noncurrent asset	\$	10,717,966	\$	6,010,304
Prepaid rent		-		15,567,866
Other	_	2,351,701		2,493,064
Total other assets	\$	13,069,667	\$	24,071,234
Other noncurrent liabilities consist of the following:				
		2021		2020
Accrued pension liabilities	\$	18,099,719	\$	18,707,095
Lease obligations		-		43,424,650
Other		3,918,146		452,921
Total other noncurrent liabilities	\$	22,017,865	\$	62,584,666

6. Investments

The Medical Center maintains a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As of August 31, 2021, and 2020, investments consisted of the following, which includes the current portion of the self-insurance trust of \$14,000,000 and \$5,517,000, respectively for both years:

2021	2020
\$ 144,098,241	\$ 108,058,963
675,733,839	523,700,329
688,663,578	587,330,151
84,407,030	155,845,655
242,042,135	122,053,335
\$ 1,834,944,823	\$ 1,496,988,433
	\$ 144,098,241 675,733,839 688,663,578 84,407,030 242,042,135

Short-term investments include cash and cash equivalents, certificates of deposit, money market funds, and securities with maturities due within one year.

Common stock and mutual funds include public equities traded in both domestic and international markets. Common collective trusts include investment products that pool fiduciary client assets into a portfolio of stocks, bonds, or other securities and real assets.

Alternative investments include hedge funds, private credit and private equity investments. These include credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. The Medical Center's investment in private equity and private credit is committed under contract to periodically advance additional funding as capital calls are exercised. See Note 16.

U.S. Government and agency securities include debt obligations issued by the U.S. government or U.S. government agencies. Corporate and municipal bonds include investment grade debt obligations issued by U.S or foreign Corporations, U.S. State and local governments or U.S. territories.

All Medical Center investments are invested with external managers.

The Medical Center pools its investments without donor restrictions, board-designated and donor-restricted investments. As of August 31, 2021, and 2020, donor-restricted and investments without donor restrictions are as follows:

		2021	2020
Donor-restricted investments and other assets limited as to use Endowments Specific purpose Self-insurance trust Interest in trustee-held funds Interest in MCC and CIN Total investments with donor restrictions	1	180,726,357 257,135,108 135,161,013 36,391,730 328,407 609,742,615	\$ 172,365,212 234,106,635 117,461,250 31,793,410 35,982 555,762,489
Investments without donor restrictions Undesignated and board-designated investments Total investments without donor restrictions Total investments	1,	225,202,208 225,202,208 834,944,823	\$ 941,225,944 941,225,944 1,496,988,433

The composition and presentation of investment return as reflected in the accompanying consolidated statements of operation and change in net assets for the years ended August 31, 2021 and 2020 are as follows:

2021 And 2020 and do town	2021	2020
Unrestricted investment return Interest and dividend income Realized gains on sales of investments Unrealized gains/(losses) on investments Total unrestricted investment return	\$ 14,577,990 59,711,055 180,965,810 \$ 255,254,855	\$ 14,261,042 77,726,778 (2,794,446) \$ 89,193,374
Reported as Board-designated endowment income Other operating investment return Nonoperating investment return gains Total unrestricted investment return	\$ 10,547,994 4,029,996 240,676,865 255,254,855	\$ 10,231,046 4,029,996 74,932,332 89,193,374
Donor restricted investment return Interest and dividend income Net realized and unrealized gains on investments Total with donor restricted investment return Total investment return	1,993,500 42,558,732 44,552,232 \$ 299,807,087	1,954,554 10,167,842 12,122,396 \$ 101,315,770
		36

Typical redemption terms by asset class and type of investments include: short-term investments; common stock and mutual funds; alternative investments; and U.S. Government and agency securities; corporate and municipal bonds and common collective trusts. Short-term investments and U.S. Government and agency securities; corporate and municipal bonds; and common collective trusts have daily redemption terms and no restrictions. Common stock, common collective trusts and mutual funds have daily to monthly redemption terms with notice periods of one to 10 days with no redemption restrictions. Alternative investments have monthly to annual redemption terms with varying notice periods, lock-up provisions ranging up to three years, and include private equity investments. A portion of hedge funds (alternative investments) are in side pockets with no redemptions permitted. Approximately \$289,000 and \$1,158,000 of this type of investment are in liquidating funds for fiscal 2021 and 2020, respectively.

7. Fair Value Measurements

The Medical Center follows the provisions of the FASB pronouncement on fair value measurements for financial instruments. The pronouncement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Medical Center for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Medical Center uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

The following table presents the investments carried at fair value as of August 31, 2021, by caption, including the current portion of the self-insurance trust of \$14,000,000, by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent		Total
Assets						
Investments						
Short-term investments	\$ 128,179,016	\$ -	\$ _	\$ 15,919,224	\$	144,098,240
Common stock/collective				• • • • • • • • • • • • • • • • • • • •	-	
trust and mutual funds	580,763,380	-		94,642,053		675.405.433
Alternative investments	1,664,869	•	1.874.074	685,124,635		688,663,578
U.S. Government and				,,		,,
agency securities	11,836,615	72,570,416	_	-		84,407,031
Corporate and municipal bonds		242,042,135			_	242,042,135
Total assets at fair value	\$ 722,443,880	\$ 314,612,551	\$ 1,874,074	\$ 795,685,912	\$	1,834,616,417

The following table presents the investments carried at fair value as of August 31, 2020, by caption, including the current portion of the self-insurance trust of \$5,517,000, by the valuation hierarchy defined above:

defined above.	Level 1	Level 2		Level 3	Investments Measured at NAV or Equivalent	Total
Assets Investments Short-term investments Common stock/collective trust and mutual funds	\$ 86,087,704 448,312,967	\$ -	\$	- 1,547,075	\$ 21,971,259 75,351,380 585,783,076	\$ 108,058,963 523,664,347 587,330,151
Alternative investments U.S. Government and agency securities Corporate and municipal bonds Total assets at fair value	\$ 534,400,671	 155,845,655 122,053,335 277,898,990	<u> </u>	1,547,075	\$ 683,105,715	 155,845,655 122,053,335 1,496,952,451

The tables above do not include the Medical Center's interest in CIN of \$328,000 as of August 31, 2021, or interest in MCC of \$36,000 as of August 31, 2020.

Investments measured at fair value using net assets value ('NAV') per share (or equivalent) as a practical expedient were not classified in the fair value hierarchy, rather the amounts are presented to enable reconciliation of the fair value tables to the investments fair value line items presented in the consolidated balance sheets.

The following table is a rollforward of the August 31, 2021 and 2020 balance sheet amounts for financial instruments classified by the Medical Center within Level 3 of the fair value hierarchy.

financial instruments dassined by save	<u>Alternative</u>	Assets Investments 2020
Balances at beginning of year Total net unrealized gain	\$ 1,547,075 47,959 279,040	\$ 1,463,008 45,353 38,714_
Purchases Balances at end of year	\$ 1,874,074	\$ 1,547,075

The following is a description of the Medical Center's valuation methodologies for investments measured at fair value.

Fair value for short term investments, corporate stocks, international stocks, and mutual funds is measured using quoted market prices or NAV per share at the reporting date multiplied by the quantity held.

U.S. Government bonds and agency securities, corporate bonds, municipal bonds and mortgage and asset backed securities are measured using recent bid prices or average of bid/ask prices. Common collective trusts are measured using NAV.

The Medical Center has certain investments, principally limited liability corporations, partnerships, and absolute return strategy funds for which a portion of quoted market prices are not available. These investments are classified as alternative investments. The value of these alternative investments represents the ownership interest in the net asset value of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are based on appraisals, or other estimates that require varying degrees of judgment.

The Medical Center's investments are exposed to various kinds and levels of risk. Equity securities and equity mutual funds expose the Medical Center to market risk, performance risk and liquidity risk. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with a company's operating performance. Fixed income securities and fixed income mutual funds expose the Medical Center to interest rate risk, credit risk and liquidity risk. As interest rates change, the value of many fixed income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equities related to small capitalization companies and certain alternative investments. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value, resulting in additional gains and losses in the near term.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value nor reflective of future fair values. While the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date. The significant unobservable inputs used in the fair value measurement of the Medical Center's partnership investments include a combination of cost, discounted cash flow analysis, industry comparable and outside appraisals. Significant increases or decreases in any inputs used by investment managers in determining net asset values in isolation would result in a significantly lower or higher fair value measurement. Management has not developed quantitative inputs nor adjusted the fair values obtained from general partners for the alternative investments.

8. Endowments

The Medical Center's endowment fund consists of individual donor-restricted endowment funds and funds designated by its Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Illinois passed the 'Uniform Prudent Management of Institutional Funds Act' ("UPMIFA"). The Medical Center has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Where the Board designates unrestricted funds to function as endowments they are classified as net assets without donor restriction.

The Medical Center had the following board-designated without donor restriction and donorrestricted endowment balances during the year ended August 31, 2021 delineated by net asset class:

Ciass.	Board Designated Endowment Funds	Donor-Restricted Endowment Funds	Total
Endowment net assets at beginning of year	\$ 179,706,434	\$271,184,968	\$ 450,891,402
Investment return	- 	1,993,500 39,212,732	1,993,500 39,212,732 41,206,232
Realized and unrealized gain Total investment return Contributions	7 054,215	41,206,232 4,709,878	4,709,878 7,054,215
Spend rate allocation Appropriation of endowment	(6,500,368)	(6,904,735) 2,724,021	(13,405,103) 1,235,623
assets for expenditure Other Endowment net assets at end of year	\$ 178,771,883	\$ 312,920,364	

The Medical Center had the following board-designated without donor restriction and donor-restricted endowment balances during the year ended August 31, 2020 delineated by net asset class:

Class.	Board Designated Endowment Funds	Donor-Restricted Endowment Funds	Total
Endowment net assets at beginning of year	\$ 179,711,758	\$ 277,993,239	\$ 457,704,997
Investment return Investment income	-	1,954,554 9,836, <u>154</u>	1,954,554 9,836,154
Realized and unrealized gain Total investment return	•	11,790,708 5,290,696	11,790,708 5,290,696
Contributions	7,034,215	5,290,690	7,034,215
Spend rate allocation Appropriation of endowment assets for expenditure	(6,556,732) (482,807)	(279,314)	(762,121)
Other Endowment net assets at end of year	\$ 179,706,434	201 201 201	\$ 450,891,402

Description, purpose and appropriations of board designated net assets without donor-imposed restrictions as of years ended August 31, 2021 and 2020.

100000000000000000000000000000000000000		2021	2020
Appropriations for Research Appropriations for Pediatric Programs	\$ <u>\$</u>	1,076,150 6,912,617 7,988,767	\$ 966,045 6,073,495 7,039,540

Description of Amounts Classified as Net Assets with donor restrictions (Endowments Only) during the year ended August 31, 2021 and 2020:

	2021	2020
Restricted for Research Restricted for Pediatric Programs	\$ 81,936,316 230,984,047	\$ 71,698,864 199,486,103
	\$ 312,920,363	\$ 271,184,967

Underwater Endowment Funds

From time to time, the fair value of net assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Such deficiencies generally result from unfavorable market fluctuations that occurred shortly after the investment of new donor restricted contributions to the endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. There were no deficiencies as of August 31, 2021 and 2020.

Investment and Spend Rate Policies

The Medical Center has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of endowment assets. To achieve its long-term rate of return objectives, the Medical Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). An endowment spend rate is established by management and approved annually by the Investment Committee of the Board of the Medical Center, which considers the following factors, specified by Uniform Prudent Management of Institutional Funds Act (UPMIFA):

- The duration and preservation of the endowment
- The Medical Center's institutional mission and purpose of its endowed funds
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and appreciation of investments
- Other available resources of the Medical Center
- The investment policy of the Medical Center

The spend rate for endowment funds in fiscal 2021 and 2020 was 4%. The spend rate is applied to a three-year rolling average of the fund balance as of August 31st, which incorporates all returns. For new endowed funds (not more than five years old), the Investment Committee may in one or more particular years apply a lower spend rate and/or appreciation allocation, if the Investment Committee deems it prudent to do so.

Substantially all net assets with donor restriction are restricted for research and programs. Substantially all net assets released from restrictions in fiscal 2021 and 2020 were related to expenses incurred for research and programs.

9. Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents. The mix of net receivables from patients and third-party payors at August 31, 2021 and 2020, was as follows:

	2021	2020
Managed Care Illinois Medicaid Medicaid Managed Care Patient Self-Pay Other	42 % 13 37 3 5 100 %	27 % 31 35 1 6

Medicaid and Medicaid Managed Care has decreased from 66% at August 31, 2020 to 50% at August 31, 2021. The decrease is primarily due to payments received from Medicaid and Medicaid Managed Care payors related to prior year receivables.

In fiscal 2018 the state passed a budget, which it had not done for the prior year, and resumed making payments to providers. The state also provided funding to Medicaid Managed Care payors which in turn resumed payments to providers.

A summary of utilization based upon gross patient service revenue for the years ended August 31, 2021 and 2020 is as follows:

	2021	2020
Managed Care Illinois Medicaid Medicaid Managed Care Patient Self Pay Other	49 % 9 41 0 1	47 % 15 35 0 3
	100 %	100 %

10. Retirement Plans

The Medical Center has retirement plans covering substantially all full-time employees, including employees of affiliated corporations. The Medical Center has two defined contribution plans available to eligible employees and a frozen noncontributory defined benefit plan, the Value Growth Plan ('VGP').

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

There are two 403(b) defined contribution plans available only to eligible pediatric faculty within PFF, a mandatory plan and a voluntary plan, and the Hospital's plan available to all other eligible employees of the Medical Center. Participants of the PFF plan are required to make mandatory contributions of 5 percent of compensation. Each year that a mandatory contribution is made by a participant, PFF will make a matching contribution up to 10 percent of compensation. PFF faculty who are not eligible for the mandatory plan or who have not reached the IRS limits may participate in the voluntary plan with no match.

All non-PFF employees, who elect to contribute are considered participants of the Hospital's plan. Participants of the Hospital plan may participate in a 403(b) defined contribution plan by entering into a salary reduction agreement to contribute a percentage of their compensation to the plan. New employees are automatically enrolled 60 days after hire at 2 percent if they have not already made an election. The Hospital matches 100 percent of the employee's contribution up to 5 percent of compensation. Employees must be employed three years to be vested in the Hospital match. The hospital match was reduced to 2.5 percent as of July 1, 2020 due to the adverse financial effect of the COVID-19 pandemic on the Medical Center. The Hospital match was increased back to 5 percent effective January 1, 2021.

The Medical Center's matching expense under both defined contribution plans totaled \$30,053,000 and \$31,949,000 in fiscal 2021 and 2020, respectively.

The VGP defined benefit plan is a cash balance plan and was frozen effective January 1, 2014. Previously accrued balances will continue to accrue interest; however, no further credits to these balances will be made. The interest, or earnings credit rate, is generally 4.5 percent annually.

The Medical Center also sponsors two nonqualified supplemental defined benefit retirement plans ('SERP'); a defined benefit plan ('DB SERP') and a defined contribution plan ('DC SERP') plan for certain key executives. The DB SERP plan is not funded and, therefore, has no plan assets. Benefits under the DB SERP are paid when incurred from the Medical Center's unrestricted net assets.

Further, write downs in the DB SERP of \$998,000 and \$495,000 were recognized which represented a portion of the previously unrecognized losses of the plan as of August 31, 2021 and 2020, respectively.

Effective as of January 1, 2017, the Medical Center sponsors a nonqualified DC SERP for certain key executives. Under this plan, the accrued obligations are determined as of December 31 of each year using 14 percent of participants' gross pay reduced by an employer match on the qualified plan. The plan has a vesting service period of five years or attainment of age 62.

Effective January 1, 2019, LCSF received a transfer of the cash balance defined benefit retirement plan from Children's Surgical Foundation as a result of the affiliation agreement. The cash balance plan was established effective January 1, 2017. Participants are 100 percent vested after three years of service. Interest credit of 4 percent, compounded annually, based on 10 percent of the participant's compensation are credited to each participant's account.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Effective January 1, 2019, LCPAA acquired a new cash balance defined benefit retirement plan. Principal credits are ranging from 1.5 percent to 10 percent of annual compensation depending on the years of service and credited to each participant's account. Plan interest credit is stated at 5 percent. Eligibility is based on completion of two years of service. However, this requirement is waived for participants employed on January 1, 2019.

Pension expense for the VGP and nonqualified DB SERP plan as determined by an independent actuary, includes the following components:

	DB SERP					VGP			
		2021		2020	2021		2020		
Service cost, benefits earned during the year	\$	166,157	\$	160,472	\$	-	\$	_	
Interest on projected benefit obligation		21,293		129,451		5,487,451		5,969,726	
Expected return on assets		-		· -		(11,111,763)		(11,381,861)	
Amortization of actuarial loss		450,997		531,093		729,193		778,057	
Amortization of prior service cost		-		-		109,660		109,660	
Pension Settlement		998,293		494,635		2,197,841			
Total pension related expense	\$	1,636,740	\$	1,315,651	\$	(2,587,618)	\$	(4,524,418)	

Pension expense for the LCSF and LCPAA cash balance pension plans as determined by an independent actuary, includes the following components:

	LCSF					LCPAA			
	2021 2020 20					2021	2020		
Service cost, benefits earned during the year Interest on projected benefit obligation Expected return on assets	\$	3,689,682 396,131 (772,383)	\$	3,663,205 339,871 (440,132)	\$	603,199 24,938 (35,759)	\$	461,494 9,140 (9,425)	
Amortization of actuarial loss Amortization of prior service cost Pension Settlement		501,706		494,883		2,942		(0,120)	
Total pension related expense	\$	3,815,136	\$	4,057,827	\$	595,320	\$	461,209	

The funded status of the VGP and nonqualified SERP plans at the end of the year was as follows:

	DB S	SERP	DC :	SERP	VGP		
	2021		2021	2020	2021	2020	
Funded status at end of year Projected benefit obligation Plan assets at fair market value	\$ (2,631,070)	\$ (6.011,468)	\$ (3,040,822)	\$ (2,430,280)	\$ (195.201.496) 205,919,462	\$ (202,317,922) 208,328,226	
(Deficiency/excess of plan assets over projected benefit obligation	\$ (2,631,070)	\$ (6.011,468)	\$ (3,040,822)	\$ (2,430,280)	\$ 10,717,966	\$ 6,010,304	
Amounts recognized in the consolidated balance sheet consist of Current liability Noncurrent Assets (liability)	\$ (854,898)	\$ (3,842,880)	\$.	\$ -	s -	\$ -	
HOTOGRAM Passes (REDIKLY)	\$ (2,631,070)	\$ (6,011,468)	(3,040,822) \$ (3,040,822)	(2,430,280) \$ (2,430,280)	10,717,966 \$ 10,717,966	6,010,304 \$ 6,010,304	
				- (-:::::::::::::::::::::::::::::::::::	Ţ .Ţ, 11,000	- 0,010,007	

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements
Years Ended August 31, 2021 and 2020

The funded status of the LCSF and LCPAA cash balance plans at the end of the year was as follows:

	LC	SF	LCPAA				
	2021	2020	2021	2020			
Funded status at end of year Projected benefit obligation Plan assets at fair market value Deficiency of plan assets over	\$ (19,469,431) 15,074,349	\$ (17,605,821) 11,150,854	\$ (1,435,033) 787,420	\$ (924,934) 381,777			
projected benefit obligation	\$ (4,395,082)	<u>\$ (6,454,967)</u>	\$ (647,613)	\$ (543,157)			
Amounts recognized in the consolidated balance sheet consist of Current liability Noncurrent liability	\$ (4,395,082) \$ (4,395,082)	\$ (6,454,967) \$ (6,454,967)	\$ (647,613) \$ (647,613)	\$ (543,157) \$ (543,157)			

All previously unrecognized actuarial gains and losses and prior service costs are reflected in the consolidated balance sheets. An estimate of \$1,852,000 and \$2,068,000 of this amount is included as a component of net periodic benefit costs in fiscal 2021 and 2020, respectively.

The DB SERP and VGP amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost in 2021 are as follows:

	DB SERP	VGP
Actuarial loss Prior service cost	\$ 205,12	1 \$ 708,103 - 109,660
Transition (asset) or obligation Total	\$ 205,12	\$ 817,763

The actuarial loss of the LCSF and LCPAA cash balance plan's amount in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost in 2021 are \$501,706 and \$2,942, respectively.

The change in the projected benefit obligation during fiscal 2021 and 2020 is summarized as follows:

		DB S	FRE	•	VGP			
		2021		2020	2021	2020		
Projected benefit obligation at beginning of measurement year	\$	6,011,468	\$	7,043,607	\$ 202,317,922	\$ 195,438,093		
Service cost Interest cost Actuarial loss (gain) Benefits paid Settlements	_	166,157 21,293 121,837 - (3,689,685)		160,472 129,451 136,007 - (1,458,069)	5,487,451 (1,305,962) (1,798,304) (9,499,611)	5,969,726 8,311,023 (7,400,920)		
Projected benefit obligation at end of measurement year	<u>\$</u>	2,631,070	\$	6,011,468	\$ 195,201,496	\$ 202,317,922		

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The projected benefit obligation for the VGP was \$195,201,496 and \$202,317,922 at August 31, 2021 and 2020, respectively. The accumulated benefit obligation for the DB SERP plan was \$1,668,955 and \$5,714,211 at August 31, 2021 and 2020, respectively.

The change in the projected benefit obligation during fiscal 2021 is summarized as follows:

•	LC:	eE	LCPAA			
	2021	2020	2021	2020		
Projected benefit obligation at beginning of measurement year	\$ 17,605,821	\$ 12,833,162	\$ 924,934	\$ 304,676		
Service cost Interest cost Actuarial loss Benefits paid	3,689,682 396,131 (1,255,879) (966,324)	3,663,205 339,871 1,260,255 (490,672)	603,199 24,938 (71,222) (46,816)	461,495 9,140 149,623		
Projected benefit obligation at end of measurement year	\$ 19,469,431	\$ 17,605,821	\$ 1,435,033	\$ 924,934		

The benefit obligation for the LCSF cash balance plan was \$19,469,000 and \$17,606,000 as of August 31, 2021 and 2020, respectively. The projected benefit obligation for the LCPAA cash balance plan was \$1,435,000 and \$925,000 as of August 31, 2021 and 2020, respectively.

The VGP change in plan assets during fiscal 2021 and 2020 is summarized as follows:

	VGP				
	2021	2020			
Plan assets, at fair value at beginning of measurement year	\$ 208,328,226	\$ 195,580,004 20,149,142			
Actual return on plan assets Employer contributions Benefits paid Settlements	8,889,151 (1,798,304) (9,499,611)	(7,400,920)			
Plan assets, at fair value at end of measurement year	\$ 205,919,462	\$ 208,328,226			

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The LCSF change in plan assets during fiscal 2021 and 2020 is summarized as follows:

		SF		
		2021		2020
Plan assets, at fair value at beginning of measurement year	\$	11,150,854	\$	3,968,091
Actual return on plan assets Employer contributions Benefits paid	_	1,459,819 3,430,000 (966,324)		447,895 7,225,540 (490,672)
Plan assets, at fair value at end of measurement year	\$	15,074,349	\$	11,150,854

The following table presents the VGP plan investments carried at fair value as of August 31, 2021, by caption, by the valuation hierarchy defined in Note 7:

	1	Level 1	Level 2			Level 3		nvestments Measured at NAV or Equivalent		Total
Assets										
Investments										
Short-term investments	\$	12,598	\$	- (5	•	\$	4,011,464	\$	4,024,062
Common stock		-		-		-		20,894,363		20,894,363
Other fixed income							_	181,013,672	_	181,013,672
Total assets at fair value	\$	12,598	\$ 	<u>- 3</u>	\$		\$	205,919,499	\$	205,932,097

The following table presents the VGP plan investments carried at fair value as of August 31, 2020, by caption, by the valuation hierarchy defined in Note 7:

	Level 1	Level 2		Level 3	Investments Measured at NAV or Equivalent	Total
Assets Investments						
Short-term investments	\$ 20,990	\$ -	\$	-	\$ 2,157,756	\$ 2,178,746
Common stock	21,371	-		-	33,338,397	33,359,768
Other fixed income	 	 -	_	-	172,811,331	<u>172,811,331</u>
Total assets at fair value	\$ 42,361	\$ _	\$	-	\$ 208,307,484	\$ 208,349,845

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements

Years Ended August 31, 2021 and 2020

The following table presents the LCSF cash balance plan investments carried at fair value as of August 31, 2021, by caption, by the valuation hierarchy defined in Note 7:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets Investments Short-term investments Common Stock Fixed Income Total assets at fair value	\$ - 8,725,559 1,062,800 \$ 9,788,359	\$ - - - \$ -	\$ - - - \$ -	\$ 93,678 5,192,314 \$ 5,285,992	\$ 93,678 8,725,559 6,255,114 \$ 15,074,351

The following table presents the LCSF cash balance plan investments carried at fair value as of August 31, 2020, by caption, by the valuation hierarchy defined in Note 7:

	Lavel 1	Levei 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets Investments Short-term investments Common Stock Fixed Income Total assets at fair value	\$ 6,413,419 879,532 \$ 7,292,95		\$ - - - \$ -	\$ 89,283 3,768,620 \$ 3,857,903	\$ 89,283 6,413,419 4,648,152 \$ 11,150,854

The following table presents the LCPAA cash balance plan investments carried at fair value as of August 31, 2021, by caption, by the valuation hierarchy defined in Note 7:

	Level 1	Level 2		Level 3		Me at	estments easured NAV or uivalent	Total
Assets Investments Short-term investments Common stock	\$ - 453,352 328,333	\$	-	\$	-	\$	5,735	\$ 5,735 453,352 328,333
Fixed Income Total assets at fair value	\$ 781,685	\$ 	્ર	\$ 	<u>-</u>	\$	5,735	\$ 787,420

Investments measured at fair value using net assets value per share (or equivalent) as a practical expedient were not classified in the fair value hierarchy, rather the amounts are presented to enable reconciliation of the fair value tables to the investments fair value line items presented in the plan assets.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The Medical Center's VGP pension plan weighted-average asset allocation at August 31, 2021 and 2020, by asset category is as follows:

	2021	2020
Asset category Return-seeking assets Liability-hedging assets	10 % 90 100 %	16 % 84 100 %

The Medical Center's VGP pension plan assets are invested with external managers and asset allocation is determined using a liability-hedging approach. Pension plan assets are invested in two pools: return-seeking assets and liability-hedging assets. The target allocation between return-seeking assets and liability-hedging assets changes based on a predetermined glide path policy as the plan's funded status changes.

The objective of the return-seeking assets is to generate long-term asset growth for the pension plan. Return-seeking assets generally consist of equity securities including public equities traded in both domestic and international markets, invested in accordance with the target allocations listed below:

The objective of holding liability-hedging assets is to dampen the plan's surplus volatility. High-quality investment grade bonds with durations that approximate the durations of the liabilities are most commonly used for liability-hedging assets.

Estimated future pension benefit payments for the next ten years are as follows:

	DB SERP	DC SERP	VGP	LCSF	LCPAA	Total
Years Ending August 31, 2022 2023 2024 2025 2026 2027-2043		600,000	\$ 13,391,018 10,422,540 9,668,234 9,430,523 9,342,840 46,422,765 \$ 98,677,920	\$ 1,245,779 4,905,558 1,435,304 8,838,768 \$ 16,425,409	\$ 43,695 661,712 67,083 \$ 772,490	\$ 15,935,388 16,265,276 11,140,922 10,092,235 10,778,144 71,728,616 \$ 135,940,581

Weighted-average assumptions used to determine benefit obligations at August 31, 2021 and 2020 are as follows:

			DC SERP		VG	P
_	DB SI			2020	2021	2020
_	2021	2020	2021	2020	202.	
			0.0 %	0.0 %	2.8 %	2.8 %
Discount rate	0.5 %	2.0 %	0.0 %		0.0	0.0
Rate of compensation increase	4.0	4.0	4.0	4.0	0.0	V.
		LCS	F		LCPAA	
		2021	2020	202	1	2020
				_	2.8 %	2.7 %
Discount rate		2.5 %	2.3 %			
Rate of compensation incr	ease	0.0	0.0		3.0	3.0

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Weighted-average assumptions used to determine net periodic pension benefit cost in fiscal 2021 and 2020 are as follows:

	ND GE	DB SERP			VGP		
•	2021	2020	2021	2020	2021	2020	
Discount rate Expected return on plan assets Rate of compensation increase	0.5 % 0.0 4.0	2.0 % 0.0 4.0	0.0 % 6.0 4.0	0.0 % 6.0 4.0	2.8 % 5.5 0.0	3.2 % 6.0 0.0	
		LCS	F		LCPAA		
	-	2021	2020	202	1	2020	
Discount rate Expected return on plan a	essets	2.7 % 6.0 %	2.3 % 6.0		2.7 % 6.0 %	3.0 % 5.0	
Rate of compensation inc		0.0	0.0		3.0	3.0	

The discount rate was determined by constructing hypothetical yield curves based on yields of corporate bonds rated AA quality. The expected rate of return on plan assets was determined by using the historical return on the various asset classes in which the plan invests.

11. Long-Term Debt

In May 2017, the Illinois Finance Authority issued \$135,480,000 of Revenue Refunding Bonds, ('Series 2017') at a premium totaling \$13,416,000 with an equity contribution of \$11,411,000 on behalf of the Hospital. The proceeds of the Series 2017 bonds were used to refund the \$148,900,000 par amount of the Series 2008B bonds.

In January 2018, the Illinois Finance Authority issued \$223,550,000 of Taxable Revenue Refunding Bonds ('Series 2018') at par value on behalf of the Hospital. The proceeds of the Series 2018 bonds were used to refund the \$212,000,000 par amount of the Series 2008A bonds. The Medical Center recorded a debt refinancing loss of \$10,401,000 in extinguishment of the Series 2008A Bonds as a nonoperating item in the consolidated statements of operation and change in net asset as of August 31, 2018. The Medical Center's long-term bonds are issued under a Master Trust Indenture ('Indenture') dated May 1, 2008, as amended and restated. There are no significant changes to the underlying covenants in the Indenture. Obligations under the Indenture are collateralized by a pledge of the unrestricted receivables and assignable general intangibles of the Obligated Group, which consists of the Hospital and the Foundation (the 'Obligated Group'). Series 2017 and 2018 are the only outstanding bonds of the Medical Center.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The chart below outlines debt as of August 31, 2021 and 2020:

	2021	2020
Illinois Finance Authority revenue bonds, Series 2017, fixed interest rate ranging from 4.00% to 5.00% (premium based on imputed interest rate of 3.62%), maturing annually in principal amounts ranging from \$5,115,000 in August 2019 to \$13,695,000 in August 2037.	\$ 119,350,000	\$ 124,990,000
Illinois Finance Authority taxable revenue bonds, Series 2018, fixed interest rate ranging from 3.50% to 3.95%, maturing annually in principal amounts ranging from \$4,840,000 in		
August 2028 to \$160,275,000 in August 2047.	223,550,000	223,550,000
Total debt outstanding	342,900,000	348,540,000
Unamortized premium/(discount) Less: Debt issuance costs	9,088,561 (3,119,707)	10,073,930 (3,364,005)
Long-term debt	\$ 348,868,854	\$ 355,249,925

Future maturities of total outstanding debt at August 31, 2021, are as follows:

Years Ending August 31,

2022	\$ 5,920,000
2023	6,220,000
2024	6,530,000
2025	6,860,000
2026	7,200,000
Thereafter	310,170,000
	\$ 342,900,000

The Obligated Group is subject to various nonfinancial and financial covenants. The Obligated Group was in compliance with its debt covenants as of August 31, 2021 and 2020.

As of August 31, 2021, the Medical Center had line of credit agreements with three commercial banks for \$45,000,000, \$30,000,000 and \$25,000,000. The lines of credit provide for interest rates based on various spreads to LIBOR. To mitigate the effect of adverse financial consequences of the COVID-19 pandemic, the Medical Center borrowed \$25,000,000 from the line of credit in April 2020 and repaid in full by June 2020. There were no amounts outstanding or borrowings made under the lines of credit as of August 31, 2021 or 2020. One outstanding letter of credit supporting the construction of the hospital in Streeterville of \$597,000 reduces the available lines of credit.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements

Years Ended August 31, 2021 and 2020

12. Leases

The Medical Center leases office and clinical space as well as real estate with lease terms ranging from 1 to 87 years with some options to extend. Leases with an initial term of 12 months or less are not recorded on the balance sheet. During fiscal year 2021, the Medical Center entered into one new right-of-use asset lease agreement on August 31, 2021 that resulted in a \$578,000 right-of-use asset and operating lease liability.

The depreciable lives of assets are limited by the expected lease terms. The majority of leases do not provide an implicit rate; therefore, the Medical Center has elected to use a risk-free rate of return as the discount rate. The Medical Center used the risk-free rate of return on September 1, 2020, for operating leases that commenced prior to that date.

Termination of these leases is generally prohibited unless there is a violation under the lease agreement.

Operating leases are classified as follows within the accompanying consolidated balance sheet at August 31, 2021:

	Classification		2021	
Assets Noncurrent Operating	Operating right-of-use assets	<u>\$</u>	112,914,422	
Total lease assets		\$	112,914,422	
Liabilities Current				
Operating	Operating lease liabilities	\$	13,745,052	
Noncurrent				
Operating	Long-term operating lease liabilities		125,252,868	
Total lease liabilities		\$	138,997,920	

Lease costs are classified as follows within the accompanying consolidated statement of operations and changes in net assets as of August 31, 2021:

Lease Cost	Classification	 2021
Operating lease cost	Supplies and services	\$ 19,185,000
Short-term lease cost	Supplies and services	357,000
Variable lease cost	Supplies and services	 652,000
Total lease cost		\$ 20,194,000

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Lease-terms, discount rates and other supplemental information as of and for the year ended August 31, 2021 are as follows:

	 2021
Weighted average remaining lease term (in years) Operating	19.89
Weighted average discount rate Operating	0.91%
Cash paid for amounts included in the measurement of operating lease liabilities Operating cash flows from operating leases	\$ 12,981,000

Future maturities of lease liabilities at August 31, 2021, are as follows:

	_Op	erating Lease
2022	\$	14,670,910
2023		14,960,041 14,421,109
2024		14,392,708
2025 2026		14,343,159
Thereafter		88,951,235
Future minimum lease payments		161,739,162
Less: Remaining imputed interest		22,741,242
Total	<u>\$</u>	138,997,920

Rental expense was approximately \$24,405,000 for the year ended August 31, 2020 and was included within supplies and services in the accompanying consolidated statement of operations and changes in net assets. Total minimum payments under noncancelable operating leases at August 31, 2020, prior to the adoption of ASU 2016-02, were as follows:

2021	\$ 17,394,000
2022	17,901,000
2023	15,467,000
2024	14,539,000
2025	13,010,000
Thereafter	 82,117,000
Total	\$ 160,428,000

13. Professional and General Liability Insurance

The Medical Center maintains a program of self-insurance for professional and general liability risks. This program is maintained on behalf of all Medical Center affiliates and employees including the employed physicians of PFF, LCMG LCPC, LCSF, and LCPAA. More than 800 hospital-based physicians are covered by this program.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The Medical Center self-insures the first losses for both professional and general liability claims. The estimated liability for self-insured claims and the required funding for the trust are determined annually by an independent actuary and are based upon case reserves and actuarial estimates for claims that have been incurred but not yet reported. The self-insured portion of the program is administered by an independent trustee.

The Medical Center incurred approximately \$35,750,000 and \$28,000,000 in expense for fiscal 2021 and 2020, respectively, for self-insured professional and general liability risk. The Medical Center's self-insurance liability has been discounted at 5% in fiscal 2021 and 2020. The effect of discounting the value of estimated liabilities was approximately \$25,293,000 and \$24,421,000 at August 31, 2021 and 2020, respectively. Further, the Medical Center recorded an estimated liability of \$156,873,000 and \$132,166,000 at August 31, 2021 and 2020, respectively, for self-insured professional and general liability risk. Part of the increase in the liability represents a potential impact from the Illinois Senate Bill 72 (Illinois Prejudgment Interest Act), which was effective July 1, 2021.

In addition to the self-insured portion, the Medical Center purchases commercial insurance for claims in excess of the self-insurance limits, including a swing option coverage to manage potential losses of the self-insured portion. These excess insurance policies, which are claims-made, are purchased through CMMC Insurance.

CMMC Insurance writes the professional and general liability insurance for the Hospital and its affiliates. CMMC Insurance, in turn, purchases reinsurance equal to 100 percent of its exposure and, therefore, holds no risk on its own books. For the years ended August 31, 2021 and 2020, premiums ceded to reinsurers were \$2,986,000 and \$3,369,000, respectively, and reinsurance recoveries on unpaid losses on an undiscounted basis, were \$21,777,000 and \$22,938,000, respectively. CMMC Insurance is operated to break even after all expenses.

14. Functional and Natural Expense Classification

The Medical Center provides health care services to children and conducts research and programs within its geographic region. Expenses, excluding interest and including fundraising (which are reported as nonoperating activities), related to providing these services, research, and programs by both functional and natural classification as follows:

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Functional Expenses	Patient Care Services	General and Administrative	Research and Mission-Related Programs	Fundraising	Total
August 31,2021 Salaries, wages and employee benefits Supplies and services Depreciation	\$ 675,372,460 263,806,045 79,946,508	\$ 85,064,631 98,124,875 11,709,630	\$ 41,104,112 90,642,103	\$ 12,221,500 6,107,455	\$ 813,762,703 458,680,478 91,656,138
	\$ 1,019,125,013	\$ 194,899,136	\$ 131,746,215	\$ 18,328,955	\$ 1,364,099,319
	Patient Care Services	General and Administrative	Research and Mission-Related Programs	Fundralsing	Total
August 31,2020 Salaries, wages and employee benefits Supplies and services Depreciation	\$ 672,610,071 251,735,225 75,915,263	\$ 86,145,268 94,566,460 12,310,779	\$ 37,218,557 80,683,153	\$ 12,814,830 6,683,346	\$ 808,788,726 433,668,184 88,226,042
Depredation	\$ 1,000,260,559	\$ 193,022,507	\$ 117,901,710	\$ 19,498,176	\$ 1,330,682,952
Natural Expense Classifica	ation		20:	21	2020
Expenditures charged to net a Expenditures charged to net a	ssets with dono	r restrictions onor restrictions		103,723 \$ 995,596	113,609,523 1,217,073,4 <u>29</u>
Total expenditure				099,319 \$	1,330,682,952

15. Commitments and Contingencies

Health Care Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations create a possibility of repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Management believes that the Medical Center is in compliance, in all material respects, with fraud and abuse statutes, as well as with other applicable government laws and regulations. While no regulatory inquiries that are expected to have a material effect on the consolidated financial statements have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Litigation

There are several lawsuits, pending claims, and incidents that occurred in the past whereby claims have been made and may be asserted against the Medical Center for which the ultimate liability, if any, cannot be reasonably estimated. Management believes that the ultimate settlement of these claims will not have a material adverse effect upon the Medical Center's consolidated financial position or results of operations.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements

Years Ended August 31, 2021 and 2020

Investments

The Medical Center has contractual commitments totaling \$336,800,000 with its private equity investment funds. As of August 31, 2021, the Medical Center's remaining capital commitments are \$153,921,000. Future capital calls are expected to occur over the next several years and will be initiated by the general partner of the investment as investments are made by the funds.

Asset Retirement Obligation

An asset retirement obligation represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

The Medical Center has evaluated its leased and owned properties for potential asset retirement obligations. Based on this review, the Medical Center identified obligations primarily related to the removal of certain materials previously utilized in the construction process. The total retirement obligation of \$416,000 was recognized as of August 31, 2021 and 2020, respectively, which was recorded as accrued expenses in the consolidated balance sheets.

16. Liquidity

Financial assets available for general expenditure within one year of the balance sheet date comprise the following at August 31:

	2021	2020
Cash and cash equivalents	\$ 58,931,786	\$ 28,299,259
Patient accounts receivable	221,266,917	233,649,273
Pledges receivable	16,706,125	16,236,397
Other receivables	28,463,765	29,304,218
Investments	1,517,264,678	1,286,857,936
	\$ 1,842,633,271	\$ 1,594,347,083

17. Subsequent Event

The Medical Center has evaluated all events and transactions that occurred after the balance sheet date and through the date that the consolidated financial statements were issued. There were no significant subsequent events or transactions through this date.

Supplemental Information

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidating Balance Sheet
August 31, 2021

Total	\$ 58,831,786 14,900,000 - 221,266,917	387,537,364	- -	(767,656,037)	112,914,422	58,778,582	71.848.249	, m		- \$ 208,462,254	32,696,502	5,820,000	- 142.873.480	22,017.865	164,891,345	342,948,854	908,118,875				+	2 510 848 474	w
Elminating Entries	w		(833,984)					\$ (833,964)		••								000 0017	(13,964	(133,984	(700,000)	1000 0000	\$ (833,964)
Faculty Predice Plan	\$ 4,379,085	4,559,773	17,728,783					\$ 22.288.588		\$ 1,335,944		. 225 DA	1		,	, ,	1,335,944	'	٠ ،		20.962.622	20 942 A22	\$ 22,288,506
Lurie Childran's Burgical Foundation and	\$ 6.670,836	1,738,421		, ,	'			\$ 8,407,357		\$ 3,626,448	. , ,	* 000 0	0.000,0	4,395,082	4.336,062		8,221,530	,	•	•	185.827	188.827	\$ 8,407,357
Lurie Châdevn's Pediatric Anesthesia Associates	5,081,832	5,311,624						\$ 5,311,824		\$ 3,248,869		. 000 000 0	,	647,813	647,613	• •	3,894,282	•	•	•	1,417,542	1417542	\$ 5,311,824
Lurie Chillidren's Primary Care	458,825	1,468,446	3 845 180	(2,849,931)	9,318,125	1.417.706	1,417,706	\$ 13,199,526		\$ 2,273,471	772,739	, ordered	-	1		0,174,170	11,820,986	•	•	٠	1,378,540	1 37A 54D	\$ 13.199.526
Lurie Children's Health Partners Care Coordination				' '						•							•	•		,	,		
CM NC Interence Co. Ltd	\$ 242,114	25,009,264				. ,		\$ 25,009,264		\$ 24,875,280		24 875 200	A				24,875,280	120,000	13,984	133.084	•		\$ 25,009,264
Children's Hospital of Chicago Medical Center	**	76,025	133,984			• •	, 	\$ 210,009		\$ 324,352		104 160					324,352		•		(114.343)	(114.343)	: :
Almost Home Kids	\$ - 587,435	634,470	2 505 024	(643.271)	1,886,747		,	4,242,970		363,826	213,356	547 101		422,602	422,602	-	2,709,262			•	1,539,708	1,539,708	4,242,970
Luris Children's Medical Group LLC	5 5,114,174	10,704.519		·	 			10,704,519		6,290,542	253,962	5 544 624		1	,		5,544,534	•			5,159,985	5.159.985	\$ 10,704,519
Pediatric Faculty Foundation	14,2289,668	23,071,460		ij,	 			8 23,071,480		\$ 16,211,886	2,156,753	18 288 438			•		18,388,438	•	•		4,703,022	4.703.022	: :
Stanley Manne Manne Children's Research Institute	· · · · ·	1,006,766	207.087.419	(34,982,535)				\$ 169,123,850		\$ 4,940,226	10	4 Q40 228		1	•		4,840,225	24			164,183,424	184,183,424	
Obligated Group	\$ 49,196,403 14,000,000 1800,348,129	307,285,480	1,589,872,885	(724,982,900) 863,890,585	101,709,550	58,778,582	70,430,543	\$ 3,147,232,188		146,783,811	30,487,757	5,920,000	142,873,480	16,552,568	114 764 813	342,948,854	826,090,041	•	'		1,792,239,185	2,321,142,147	
Aen & Robert H. Lurie Children's Hospital of Chicago	1	630,069	1,614,863	(1,614,963)				630,869		3,722,209		3.722.200	,				3,722,209	33			(3,091,340)	(3,091,340)	
Ann & Robert H. Lurte Childran's Hospital of Childrap	\$ 49,196,403 \$ 14,000,000 189,348,129	306,654,611	1,503,916,030	(722,367,947)	101,708,550	58,778,582	70,430,543	\$ 3,146,601,319 \$		\$ 142,081,602 \$	30,487,757	5,920,000	142,873,480	16,552,568	114.784.813	342,948,854	822 367,632	•			1,785,330,525	2,324,233,467	\$ 3,148,601,319 \$
	Measts Control assets Control and cash equivalents Convent portion of self-breastnos trust Patient ecounts needwight	Conserved format seems Total current seems	Investments Property and equipment, at cost	Less: Accumulated depreciation Total property and equipment, net	Operating lease right-of-use assets Other assets	Pledges receivable reshicted by donors, net Other assets	Total other assets	Total assets	Liabilities and Nel Assets Curent liabilities	Accounts payable and account expenses Current cortion of self-insurance liability	Due to third-party payons Currant portion of operating lease is bilities.	Current portion of long-term debit Total current liabilities	Other liabilities Self-insurance liability	Other noncurred labilities	one-term constant in the second constant in t	Long-term debt	Total labities	Stockholder's equity Common plack	Retained servings	Total stockholder's equity	Net assets Net assets without donor restrictions Net assets with donor restrictions	Total nel assets	Total labities and net assets

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidating Balance Sheet August 31, 2020

	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago Foundation	Obligated Group	Stanky Manne Children's Research frattute	Pediatric Faculty Foundation	Lurie Children's Medical Group LLC	Almost Home Kids	Children's Hospital of Chicego Medical Center	CMMC Impurance Co. Ltd	Lurie Children's Health Partners Care Coordination	Lurie Children's Primary Care	Lurie Children's Pediatric Anesthesia Associates	Lurie Children's Burgical Foundation Inc.	Faculty Practice Plan	Elminating Entitles	Total
**	22,065,115		\$ 22,065,115	•		\$ 3,545,638 \$	1	,	218,067			•		\$ 2,480,439	•	\$ 28,289,259
Current portion of soff-insurance trust Patent accounts receivable Other current preselve	5,517,000 208,725,366 49,861,195		5,517,000 206,725,368 50,438,718	- - 1 098 829	9.456,094 5.931,013	3,264,300	761,587	76.025	26.314.764	84.446	273,164	4,837,092	6,147,104 3,310,490	1,244,509	(568,677)	233,649,273
	286,178,676	667,623	286,736,199	1,099.629	15,387,107	7,328,332	844,213	76,025	26,532,831	84,448	173,751	5,081,203	9,467,594	3,725,006	(568,877)	356,557,681
	1,477,040,060	•	1,477,040,060					134,791		٠	4			16,031,373	(734,791)	1,491,471,433
!	1,532,863,381	1,614,953	1,534,478,334	207,225,070		 • 1	2,547,795				3,789,340 (2,469,683)					1,748,040,539 (677,872,494)
Total property and equipment, net	889,540,899	•	888,540,699	178,494,574			1,813,115		·		1,319,657	•				1,070,168,045
ther assets Pledges receivable restricted by donors, net Other assets	67,898,845	• •	87,898.645 22,653,528	, ,	, ,						1,417,706	1 1	• •	• •		67,696,845
l	90,362,373		90,362,373	- 	'	•		-	•	•	1,417,706			•	'	91,770,079
	\$ 2,742,111,806 \$	667,523	\$ 2,742,889,331	\$ 179,594,403	\$ 15,387,107	\$ 7.328.332 \$	2,657,328	210,818	\$ 26,632,831	5 84,446	\$ 3,511,114	\$ 6,081,203	\$ 9,457,594	\$ 18,756,381	\$ (1,303,688)	\$ 3,009,967,218
abilities and Net Assets Unert labilities S. Accounts county and accounts	136 544 404	903 CBC 1: 3	£ 130 827 023	2433 977	6 13 911 311	8 4 863 485 \$	372 486	201611	5 26 396 041	P. 801	\$ 1030.523	\$ 2.427.298	\$ 2,865,181	\$ 4,331,848	\$ (568.877)	\$ 199,102,104
	5,517,000				2,561,008	263,992				• •			• •			5,517,000
-	5.840,000	. 002.000.0	5,640,000	2 400 007	46.479.240	- 117.77	327 406	204.844	26 308 041	.	1 030 523	9 497 908	2.885.181	4.301.94B	(568 877)	5,840,000
l	126,649,022	-	126,648,022							,				•	,	126,649,022
I	161,672,576	' '	181.672,576		ا		463,652	, 	· ·		98,336	543,157	6,454,967			189,233,688
	349,609,925	•	349,608,925		٠	٠	•	•			•		1			349,609,925
	707,642,691	3,282,520	710,925,220	3,433,377	15,472,319	5,117,477	636,137	201,611	26,398,041	108'8	1, 129, 858	2,970,453	9,320,148	4,331,846	(568,677)	780,576,413
	• •	, ,			• •				120,000		• •	• •		• •	(129,090)	
	1	•	•						134.780		•			•	(134,781)	
ol essets Nel essets without donor restrictions Nel essets with donor restrictions	1,532,396,660	(2,725,006)	1,529,670,544	176,161,026	(1,085,212)	2,210,855	1,821,191	9,206	• •	75,845	2,381,255	2,110,750	137,448	14,424,633	(800,000)	502,073,567
	2.034,469,117	(2,725,006)	2,031,744,111	176,181,026	(1,085,212)	2,210,855	1,821,191	9.205		75.645	2,381,255	2,110,750	137,446	14,424,533	(800,000)	2,229,390,805
Total Labilities and net assets \$	\$ 2,742,111,808	557,523	\$ 2,742,869,331	\$ 179,594,403	-	\$ 7.328,332	\$ 2.657.328	210,818	\$ 26,532,831	84.446	\$ 3,511,114	\$ 5.081,203	\$ 9.457.594	\$ 18,756,381	\$ (1,303,668)	\$ 3,009,967,218

Consolidating Statement of Operation and Change in Net Assets Without Donor Restrictions Children's Hospital of Chicago Medical Center and Affiliated Corporations Year Ended August 31, 2021

Total	1,141,148,793	59,121,560	64,672,484	91,392,255	1,368,884,086	801,541,202 452,573,024 81,856,138 1,346,770,384		21,113,722	4 612 607		240,676,864	20,676,455	(91,078)	246,263,036	250 775.543	-310	1,949,511	6,675,809	#	£22	-023	3
El ménating Extrés	\$ (54,181)	(21,568,174)	(22,246,513)	(62,266,883)	(107,740,875)	(33,274,374)		, ,			900	• •	(100.000)	(96,194)	(00 104)		•			\$ (98,194)		
Faculty Practice Plan	:	•	•	1	23,395,538	20,303,314		2,230,424		2,230,424	2,597,421	(500,000)		2,097,421	She Too L	200	•	• •	2200.244	\$ 6,528,069		
Lurie Children's Burgical Foundstion Inc.	\$ 47,089,318	357,821	311,684	156,160	59,580,824	68.476.267 18.062,399		(26,976,832)		(26,976,632)	į	• •	(125,454)	(125,454)		(27.102.200)	•	2,445,021	24,705,648	\$ 48.381		
Lurie Pediatric Anesthesia Associates	\$ 18,431,767	112,750	27,497	150,000	21,145,811	3,710,076		(8,154,395)	1	(6,154,395)	•		7,879	7.879		(8.148,516)	•	93,864	5,359,444	\$ (863,208)		
Larie Children's Primary Care	\$ 16,884,388	•	•	. 664.729	17,839,117	11,123,783 8.293,346 360,248	10,101,01	(1.958,260)		(1,858,260)	•			'		(1,968,280)	•		965,546	\$ (1,002,715)		
Lurie Children's Health Partners Carre Coordination	** #	230,290			296,987	1,606,020	7,731,802	(1,134,875)		(1,134,875)	•					(1,134,876)	•		1,059,230	\$ (75,645)		
CARRIC Insurance Co. Ltd				. 002 077	112,606	113,526	113,526	(918)		(918)	112			1	711	(908)	•	•	' '	\$ (808)		
Chittren's Koapital of Chicago Medical Center	•	- 14		,		769,869	860,400	(960,400)	1	(960,400)	(909)	Ì '		•	(906)	(981,208)	•	•	837.658	\$ (123,548)		
Almost Home Rides	\$ 4,284,500	168,150	•	' !	4,838,817	6,967,509 931,553 108,591	7,027,653	(2.190,836)		(2,190,836)	•	637,735	(art/s/)	30,319	564,835	(1,695,901)	٠	•	1,314,418	\$ (281,483)		
Lurie Children's Medical Group LLC	\$ 21,868,196	1,407,021	218,025	232,876	32,182,415	26,249,415 6,755,848	33.005.063	(822,648)	1	(822,648)	,			1		(622,648)	•	٠	3,771,778	\$ 2.949,130		
Pediatric Faculty Foundation	\$ 117.616.214	2,840,642	5,396,963	1,006,788	53,637,674	168,436,697 44,170,389	212,807.086	(31,842.785)	j	(31,842,785)				1		(31,842,785)	•	•	37.631,019	\$ 5,788,234		
Stanley Manno Children's Research Freshtute		16,449,500	16,290,324		33,011,580	28,554,448 12,196,515 10,255,335	51,005,298	(17,993,718)		(17,993,718)		, ,				(17,993,718)	•	•	8,016.116	\$ (11,977,502)		
Obligation	914.817,581 \$	58,(21,560	64.672.484	10,647,994	51,989,134	640,332,565 370,995,279 80,811,964	892,239,798	108,918,965	16,801,215	92,317,750		236,079,331	(17,755,636)	3,517,006	243,788,143	336,106,690	1,949,511	A 138 924	(83,651,099)	262,568,641		
Electrating C	*		•			(12.221,500) (5.534,338)	(17,755,836)	17,755,836		17,755,638			17,755,836		17,755,836	,	,		• •	<u>" </u>		
Ann & Robert H. Lutte Children's Hospital of Children's	•					12.221,500 5,534,336	17,756,836 ((47,756,836)		(17,756,836)		20 024 720			20,038,720	2,282,884	1		(2,649,218)	(368,334) \$		
Arn & Ru Robert H. Gr Lurile G Children's Ho Hospital of Co	-	66	000,121,000	10,547,994	51,989,134	340,332,666 370,985,279	992,239,796	108,918,965	18 801 215	92,317,750		238,070,331		3,517,006	241,505,259	333,823,009	1,949,511		4,136,924 4,227,411 (61,201,880)	262,934,975 \$		
- 01	Operating revenue Patent estrice revenue \$	Net essets released from resolutions Contributions and phillipsy	used for program purpoists Grants and other restricted income used	for program purposes Board-designated endowment income	an Javas Guji	ļ	Depreciation Total operating expenses	Income (loss) from operations before inferest and amortization	Interest and amortization	of thencing coins Income (test) from coerations	Nonoperating Income	(expense), net investment intum Unrestricted Contributions		of fixed assets Other	Total neroperating	Excess (deficiency) of neverue over expenses	Net essels released from restrictions used for purchase of estrictions used for purchase	Retrement plan-related change other than net	periodic retirement plan expense Other Transfers (to) from affiliates	incress (decress) in rel sasels without dons restrictors	Attachn	n€

Consolidating Statement of Operation and Change in Net Assets Without Donor Restrictions Year Ended August 31, 2020 Children's Hospital of Chicago Medical Center and Affiliated Corporations

Total	\$ 1,090,283,004	50,321,832	60,724,474	10,231,046	117,825,866	795,973,897	1.311.184.776	18,301,446	16 638 682	1,662 764	74,932,332	18,146,002 (19,498,176)	(81,694)	69,055,656	70,718,420	2,433,912	4,861,090 2,208,140	, es 25	#22-023
Eliminating Entries	\$ (115,376) \$	(20,667,807)	(21,636,953)	(1.792.578)	(60,623,410)	(71,978,722) (33,047,401)	(106,026,123)				17,331		(300,000)	(182.669)	(182,668)	•			Jones III
Faculty Practice Plan		, N	16	7	23,571,920	926.682 18,763,377	19,688,959	3,882,961	•	3.882.861	1,119,446	(\$00,000)	100.000	719.446	4,602,407	•	•	4 778 677	
Lurie Children's Burgical Foundation inc.	\$ 41,925,637	1,349,957	399,821	251,884	11,455,514	66,306,826 17,560,896	52,868,821	(27,484,008)	•	(27,484,008)		• •	(394.622)	(394,622)	(27.878,630)	•	3.023,531	(4 066 30 A)	
Lurie Pediatric Azestinesia Associatos	\$ 17,631.828	205.00	•	1991,667	3,050,540	20,882,767	24,967,180	(3,802,622)		(3.802.622)	,	• •	, 882	2982	(3,802,337)	•	(62.135)	(078 871)	
Lurie Children's Primary Care	\$ 17.333.785	*	•	•	527.350	11,378,387	19.426.916	(1,585,781)	•	(1.585.781)	,	• •			(1,565,781)	•	, ,	1889 007 17	
Lurfe Children's Health Parhers Care Coordination		196,833	*		605,548	2,016,520	2,170,996	(1,369,614)		(1.369.614)				'	(1,368,614)	Ī	* * * * * * * * * * * * * * * * * * * *	12 8941	
CHMC Interstroe Co. Lid				ā	104,005	122,651	122,661	(18,546)	,	(18.546)	1,215	, ,	, ,	1.215	(17,331)	•			
Children's Hospital of Chicago Medical Center	•	•		•		1,136,312	1,409,138	(1,409,138)	•	(1,409,138)	(17,331)			(17,331)	(1,426,469)	•	1 1	2015.000	
Almost Home Kids	\$ 4,160,765	60,050	•	•	437,519	6,332,374	7,238,416	(2,580,062)	•	(2,560,062)	,	752,719 (115,156)	30,319	667,882	(1.912.200)	•		2 398 761	
Lurie Children's Medical Group LLC	\$ 17,969,227	1,369,092	378,017	232,876	6,927,125	25.236.272	31,821,443	(4,745,108)		(4,745,106)			• •		(4,745,106)	•	• • • • • • • • • • • • • • • • • • • •	3 118 408)	
Pediatric Faculty Foundation	\$ 102,176,056	3,092,296	4,949,822	1,216,151	51,505,654	168,137,871	207,773,432	(44,834,454)	•	(44,834,454)	,				(44,834,454)				
Stanlay Marina Children's Research Institute		14,500.077	16,109,293		343,189	28,182,572 12,713,199 0,021,188	60,827,439	(19.874,880)		(19 674,880)	! '				(19.874,580)		, , ,	\$ (10.493.9991 \$	
Obligated Group	869,202,081	50,321,632	60,724,474	10,231,046	1100,020,911	538,420,048 362,274,458 27,303,123	968,397,628	122,102,716	16,638,682			17,363,283 (18,863,020)	(3,978,790)	68,261,450	173.725,484	2,433,912	1,889,684 2,208,140		
Elemerating Enches		ı				(12,614,830)	(18,883,020)	18,883.020		18,883,020		18,883,020		18,863,020		•	• • •	"	I
Ann & Robert H. Lurie Chifdren's Hospitel of Chicago R	্				,	12,814,830 6,068,190	18,883,020	(18,683,020)		(18,883.020)		17,383,283	• •	17,395,283	(1,488,737)	,	- (3.818) 1.158.780	(324,775) \$	
Ann & R Robert H. C. Lurie C. Clidewn's H. Hospital of C. Chicago Fo	\$ 180,202,081	50,321,832	60,724,474	10,231,046	1 090 500 344		Ц) 912,102,716	16,639,682		73,811,671		(81,694)		175,215,221	2.433,912	1,899,664 2,211,968 776,648,577	106,152,258 \$	
GAR. Chie	\$ 889		9	0	12	1			16,	105,	ţ		69		10	Ñ			
	Operating revenue Patient Service Revenue	Net easeth released from resinctions Contributions and philanthropy used for program purposes. Central and other.	restricted income used for program purposes Board destroyled	endowment income	revenue Total connection revenue	Operating expenses Salaries, varges, and employee benefits Suppless and services Decinciation	Total operating expenses	Income (loss) from operations before interest and amortization	Interest and amorization of financing costs	Income (loss) from operations	Nonoperating income (expense), net breatment return	and bequests Fund-raising expense	of fixed assets	Total nanoperating Income(loss)	Excess (deficiency) of reverue over expenses	Net seasts released from restrictions used for purchase of property and equipment Retrement plan-related	change other than nel periodic retrement plan expense Other Transfers (to) from effisiels:	Increase (decress) in net assets without donor restrictions	Attachment 34

Section 1120.130 FINANCIAL VIABILITY

Rating Agency Report

FitchRatings

07 JAN 2022

Fitch Affirms Lurie Children's (IL) Rev Bonds at 'AA'; **Outlook Stable**

Fitch Ratings - New York - 07 Jan 2022: Fitch Ratings has affirmed the 'AA' Issuer Default Rating (IDR) and revenue bond rating on the outstanding series 2017 and series 2018 bonds issued by the Illinois Finance Authority on behalf of Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's).

The Rating Outlook is Stable.

SECURITY

Bond payments are secured by a pledge of the gross receipts of the obligated group.

ANALYTICAL CONCLUSION

Lurie Children's 'AA' rating is primarily grounded in its solid balance sheet with days cash on hand (DCOH) of roughly 358 days as of nine-months fiscal year 2021 (May 31) and low leverage ratios derived from a modest debt position. Balance sheet strength is expected to be preserved through moderate capital needs although liquidity ratios are somewhat vulnerable to future Medicaid delays, similar to those that occurred in FY 2019. The backlog in accounts receivable improved significantly in FY 2021, bolstering unrestricted cash to \$1.2 billion as of May 31, 2021 from \$886 million as of FYE 2019.

Financial results in FY 2020 and 2021 (FYE Aug. 31) were significantly affected by declining volume from travel disruptions, stay-at-home orders, and limited school and athletic activities for children. However, the pediatric volume that remained was of higher acuity, for both physical and mental health needs. As the main provider of complex pediatric services in the greater Chicago area, Lurie's market share consequently increased during this period.

Fitch expects that wage pressures will compress financial results again in FY 2022, making it the third consecutive year in which Lurie may generate operating EBITDA margins close to 8%. Longer term, Fitch expects operating EBITDA margins to return to low double-digit levels.

KEY RATING DRIVERS

Revenue Defensibility: 'bbb'

Leading Market Share Reinforced by High Acuity Specialty Offerings

Lurie Children's is the leading provider of pediatric services in the Chicago area, particularly for high acuity specialties and subspecialties, in addition to being a destination for children from other states and countries. The hospital's competitive position is enhanced by its close affiliation and physical proximity to Northwestern Memorial Hospital (NMH) and Northwestern University's Feinberg School of Medicine (FSM). Lurie Children's Hospital is the pediatric training facility for FSM.

Lurie Children's market share rose considerably to 31% from 26% in 2020 as pediatric volume that year skewed towards the higher acuity specialties provided at the hospital. Lurie's clinical reach and market share is further expanded to 45% when considering its affiliation with RUSH University Medical Center (announced in January 2021) and existing relationships with other hospital partners. These affiliations and relationships are an important part of Lurie Children's strategic outreach and enhances its clinical presence.

Approximately 86% of Lurie Children's inpatient volume originating in its diversified primary service area, seven counties in and around Chicago. Similar to other children's hospitals, Lurie Children's has high exposure to Medicaid funding with 51.6% of gross revenues attributable to the program in FY 2020. As of July 2020, Illinois' Hospital Assessment Program shifted to payments based on volumes and case mix index, which resulted in an increase for Lurie Children's in net payments from this program of \$29 million in fiscal 2020 to approximately \$40 million in fiscal 2021.

Operating Risk: 'aa'

Operating Cash Flow Continues at Lower than Historical Average

Operating EBITDA margin results for FY 2021 are expected to be close to the thin 7.7% reported in FY 2020 due to continuing pandemic pressures. (Fitch reclassifies approximately \$4 million in investment income reported in operating revenue to non-operating revenue). The breakeven operating margin in FY 2020 highlighted management's expense reduction actions during a period of materially reduced volume. Operating margins for Lurie Children's subsequently improved each quarter in FY 2021 as volume rebounded and Fitch expects yearend audited results will be higher than the 7.1% operating EBITDA margin reported as of May 31 (3Q interims).

With the ongoing challenges in the sector from staff shortages and escalating wages, management expects FY 2022 to be another year in which operating cash flow will be compressed below the double-digit margins sustained in years prior to FY 2020. Fitch believes that longer-term, Lurie Children's should be able to generate results that are somewhat in line with its FY 2019 operating EBITDA margin of 11.5%. Our expectations for improved operating cash flow are based on the organization's continued expense management initiatives and sustained growth in high-acuity procedures.

Fitch believes that Lurie Children's has significant capital spending flexibility given a relatively new hospital (opened in 2012), recent inpatient expansion (\$70 million; completed in 2019) and its new research facility (the Stanley Manne Children's Research Institute) opened in June 2019 (\$180 million). The capital flexibility, strong fundraising record and low average age of plant, calculated at 7.7 years as of FYE 2020, helps offset concerns over what is likely to be a third year of lower operating results. Capital spending over the next three years will mostly focus on ambulatory growth, implementation of a new enterprise resource planning system and digital efforts.

Financial Profile: 'aa'

Moderate Debt Burden

Lurie Children's moderate debt burden, when combined with expectations of improved cash flow in future years and capital expense closer to annual depreciation levels, results in solid leverage metrics that remain strong throughout Fitch's stress scenario analysis. The hospital is not planning a debt issuance at this time, although it may consider additional debt in a future period for possible expansions. Fitch expects cash-toadjusted debt to increase significantly in FY 2021 from 203% in FY 2020 based on the higher liquidity position in FY 2021.

Liquidity increased to \$1.2 billion as of May 31, 2021 from \$969 million as of FYE 2020 (Aug 31) primarily due to the reduction in accounts receivable from Medicaid, strong investment returns and modest capital spending in FY 2020 and 2021. Unrestricted cash and investments as of May 31 includes approximately \$22 million in deferred payroll taxes as allowed under the CARES Act, half of which were subsequently repaid in December 2021.

Asymmetric Additional Risk Considerations

No asymmetric additional risk considerations were applied in this rating determination.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Given the lower operating cash flow that trails Lurie Children's 'AA' rated peers, positive rating momentum is not likely in the foreseeable future.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- -- A large debt issuance or if cash declines to support strategic growth plans so that cash to adjusted debt falls and remains below 180%:
- --Operating EBITDA margins that continue or are expected to fall below 8% after FY 2022 and/or growing capital needs, which may result in a re-scoring of the operating risk assessment;
- --While not expected, rating pressure may also occur if there were very significant unfavorable changes to Lurie Children's supplemental funding stream or a material increase in account receivable pressure from the state's Medicaid program.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

Credit Profile

Lurie Children's operates a 364-licensed bed pediatric hospital in Chicago. Intensive care unit (ICU) beds now represent 62% of the medical center's total beds, indicative of the high-acuity cases and treatments that is its focus. The medical center is a Level I pediatric trauma center and the only freestanding pediatric hospital and Level 1 pediatric surgery center in Illinois. Additional operations include 12 outpatient centers, medical groups with over 500 employed physicians, a research center and a philanthropic foundation. Fitch's analysis is based upon the consolidated financial statements for Lurie Children's parent organization, Children's Hospital of Chicago Medical Center.

Lurie Children's geographic reach is broadened by its strategic partnerships with 15 hospitals and its outpatient centers located throughout the Chicago area. Lurie Children's supports neonatal or pediatric care at the partner hospitals by staffing neonatal intensive care units (NICUs) and pediatric intensive care units (PICUs), as well as pediatric emergency departments. Lurie Children's also provides pediatric subspecialty services with on-site specialists and telemedicine services at many of its partner hospitals.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Rating Actions

ENTITY/DEBT RATING RECOVERY **PRIOR**

NTITY/DEBT	RATING			RECOVERY	PRIOR
Lurie Children's Hospital (IL)	LT IDR	AA O	Affirmed		AA O
 Lurie Children' Hospital (IL) /General Revenue: LT 	LT	AA 🗣	Affirmed		AA ©

RATINGS KEY OUTLOOK WATCH

POSITIVE	•	♦
NEGATIVE	•	\$
EVOLVING	•	•
STABLE	0	

Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (pub.01 Sep 2021) (including rating assumption sensitivity)

U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria (pub.18 Nov 2020) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v1.3.2 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Illinois Finance Authority (IL) EU Endorsed, UK Endorsed

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Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$195,384	\$130,256	\$325,640
Site Survey and Soil Investigation	18,903	12,602	31,506
Site Preparation	272,508	181,672	454,180
Off Site Work			
New Construction Contracts			
Modernization Contracts	8,697,022	2,584,714	11,281,736
Contingencies	1,304,553	387,447	1,692,000
Architectural/Engineering Fees	900,142	837,358	1,737,500
Consulting and Other Fees	1,557,531	1,038,354	2,595,884
Movable or Other Equipment (not in construction contracts)	8,168,514	634,405	8,802,919
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized	492,000	328,000	820,000
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$21,606,557	\$6,134,808	\$27,741,365
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$21,606,557	\$6,134,808	\$27,741,365
Pledges			
Gifts and Bequests		-	
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			- ·
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$21,606,557	\$6,134,808	\$27,741,365

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Project Cost and Sources of Funds Supporting Narrative

Pre-planning Costs \$325,640

Pre-planning costs include clinical pre-planning during the strategic planning phase, including (i) concept development and feasibility studies by an architectural consultant, (ii) a medical equipment planner, and (iii) a construction manager to estimate high-level capital costs related to long term financial planning. These consultants also provided studies to evaluate strategic decisions to support growth.

Site Survey / Soil \$31,506

The site survey work includes pre-planning testing and investigation of existing conditions, specifically in the building systems.

Site Preparation \$454,180

The site preparation work includes demolition and mobilization costs. It also includes special floor preparation needed to apply new, required flooring materials.

Modernization costs \$11,281,736

The construction contract for the modernization projects includes all costs to build the project including contractor's overhead and fees. Due to an ongoing and unprecedented hyper-escalation of costs in the construction industry, the construction modernization contract includes an estimated 8% escalation to account for anticipated but unknown price and labor increases through mid-way of the construction process.

The modernization project on the 7th floor consists of adding an intraoperative MRI suite adjacent to an existing major-surgical area, as well as modifications to an adjacent neurosurgical operating room. As enabling, a GI Motility suite will be relocated to the 6th floor to make room for the MRI. The project on the 6th floor includes the build-out of the GI Motility suite, and three additional minor procedure rooms. As another phase of enabling, several administrative offices will be moved off-site to existing Lurie-owned office suites. The 6th floor will also include a space dedicated to the Anesthesia department.

With a clinical area modernization cost of \$8,697,022 and the total Departmental Gross Square Feet (DGSF) of clinical space at 9,070 square feet, the average cost per square foot is \$959.

Of the total \$959/sf, approximately \$285/sf is attributed to construction requirements that are not associated with a typical construction project as outlined below.

Infection Control Procedures and General Requirements (\$306,722)
 Elevated infection control and prevention procedures not typically seen with a standard project are required when working within an active hospital, especially around operating rooms within restricted areas. These infection control and prevention procedures require more labor to assure that areas near and outside construction zones are always kept clean, as well as special monitoring

to the building automation system to assure construction areas always have negative airflow to adjacent spaces.

Additionally, because the modernization is taking place in occupied areas of the hospital, construction is required to take place in multiple phases. As a result, the construction process is prolonged, and the construction manager is overseeing a project that must be completed in 4 separate phases. The premium costs are estimated to reflect an additional 26 weeks of oversight.

2. Specialty Steel Support (\$89,275)

Each type of specialty procedural space (Neurosurgery Operating Room, iMRI Suite, and the minor procedure rooms) require additional steel support for equipment not commonly seen in every OR, MRI or procedure room. For example, the iMRI requires an automatic, magnetic shielded, sliding door between the MRI scan room and the OR. This complex door requires additional steel support. Supporting steel is also required for the equipment booms and anesthesia booms in the surgical rooms.

3. Specialty finishes for OR's and MRI's (\$170, 481)

The new iMRI OR suite and the procedures rooms will have upgraded flooring, wall protection and ceiling systems to withstand heavy duty wear and tear in keeping with recent upgrades made to other surgical spaces. These finishes are not standard in other general clinical spaces and typically have a premium cost in comparison to other less-specialized clinical spaces.

4. Specialty Building systems to support Operation Rooms, Procedure Rooms, Exam Rooms and MRI's (\$688,857)

Most of the modernizations taking place on the 6th floor are in an area that is currently administrative offices. Therefore, infrastructure required to support these new clinical and procedural spaces will need to be added or extended to these areas. Examples of specialized infrastructure needed on the 6th floor include:

- New toilet exhaust shaft and fan that will extend to mechanical penthouse to support added loads to the floor
- Isolation panels for procedural spaces with anesthesia
- Medical gas supply to exam and procedural spaces
- Upsizing a large portion of domestic water line to support entire area under renovation

The 7th floor MRI space will also need unique infrastructure that is not common in other clinic spaces. Examples of these unique infrastructure systems and requirements include:

- Dedicated pneumatic tube station for MRI control area
- Quench vent from MRI extending to building exterior
- Dedicated exhaust shaft and fan for MRI to extend to mechanical penthouse
- Dedicated isolation panels for MRI
- Dedicated Uninterrupted Power Supply (UPS) in the event of a power failure during imaging and procedures.

5. iMRI Allowances (\$202,813)

Additional allowances have been added to accommodate installing an MRI in an existing high-rise building that requires unique planning not commonly required in any other type of clinical space. For example, with the MRI being located on the 7th floor, the only way to install the large magnet is to hoist it along the side of the building and remove the exterior wall as it is too heavy and large

to fit in any internal elevators. Other allowances are set aside for specialized acoustical assemblies above and below the areas of the MRI to help protect adjacent clinical spaces. These structural installations are permanent. The allowances also cover investigations of existing conditions above and surrounding the MRI immediately preceding installation.

6. Misc. Allowances (\$138,163)

Due to the complexity and various phasing requirements, there are many unknowns that will not be known until construction begins. For this reason, we include overtime and phasing allowances in the modernization costs. These construction allowances help alleviate changes that need to be made due to the sensitive location where construction is taking place. Certain work that could normally be complete during the day needs to be adjusted to off-hours to avoid disturbance to patient care.

7. Hyper-Cost Escalation (\$991,666)

As noted above in the modernization costs section, construction of healthcare (and other) facilities are currently experiencing an unprecedented rate of escalation, exceeding the standard 3% per year. The contract costs currently include an 8% escalation on top of the estimated costs currently to account for unknown pricing and labor increases.

In summary, of the total clinical modernization cost of \$8,697,022, the total premium of costs in clinical areas not typically seen in construction equals \$2,587,977, or \$285/sf, for the 9,070 square feet of clinical spaces. These factors imply that the \$959 clinical cost per DGSF of the modernization compares to a level of \$674 per sq ft.

Contingencies \$1,692,000

The project costs are currently based off schematic design phase. There are many complexities to this project that require further studies with vendor's site-specific information (such as the MRI, OR Booms, and OR integration system). In addition to the details still needed for equipment planning, other areas may be affected during construction that could allow for additional scope.

Clinical contingency is \$900,142 of the total contingency. This amount is 15% of the clinical modernization cost of \$8,697,022.

A/E fees \$1,737,500

The architectural and engineering fees cover the cost of programming, interior design, schematic design, design development, construction documentation and construction administration. The fees include coordinating site visits to other facilities with intraoperative MRI's, creating full-scale mock-ups of key rooms in the project, as well as virtual reality design aids. Because there are multiple projects underway, there were an unusually large number of user groups requiring planning and architectural team support. Also, both the architectural and engineering teams' fees are set up as two separate projects (the 6th floor renovations as one, and the 7th floor iMRI suite as another).

Consultants and fees \$2,595,884

The consultant fees include the following:

- Project management service
- Medical equipment planning & procurement
- Structural vibration analysis
- Acoustical Design Analysis Consultant
- Capitalized Lurie Children's facilities and planning staff allocated to the project
- Commissioning Consultant (Building Systems)
- Water Management Testing and consultation
- FF&E Design
- IT/IM Project management services
- Construction management
- CON advisory services

The project fees include costs associated with the following reviews and permits:

- CON filing fee
- IDPH application cost
- City of Chicago permit application fee

Moveable equipment, furnishings \$8,802,919

The following tables provide overview detail on the major clinical components of the project – iMRI, procedure rooms, and the GI motility suite. The clinical components are \$8,168,514 of the total project \$8,802,919.

Summary	AND AND ROLL BUTTON AND THE RES
Clinical Equipment	\$8,168,514
Non-Clinical Equipment	\$114,405
Furnishing	\$420,000
EQ Warehousing	\$100,000
Total	\$8,802,919

Clinical Equipment costs by major functional area	
Intraoperative MRI Suite	
3T MRI	\$ 3,495,500
MRI Patient Monitor	\$ 244,892
Surgical Table	\$ 242,157
MRI anesthesia machine	\$ 186,079
OR Integration	\$ 119,851
LED Surgical Light	\$ 98,485
MRI Sensory system	\$ 94,835
Anesthesia Boom	\$ 92,692
Pyxis Medication Dispenser	\$ 75,312
Ferromagnetic Detector	\$ 68,984
MRI Injector	\$ 64,687

Patient Monitor Intellevue	\$ 54,746
Aggregate, individual items under \$50,000	\$ 1,040,460
Subtotal	\$ 5,878,680
Procedure Rooms	
Anesthesia Machines	\$ 240,883
OR Integration	\$ 239,701
Anesthesia Booms	\$ 139,038
Surgical Tables	\$ 133,013
Equipment Booms	\$ 121,658
Patient Monitors	\$ 109,492
Endoscopy System	\$ 94,546
Main Medication Dispenser	\$ 75,312
Single LED w/dual FPM surgical	\$ 74,153
Single LED w FP Monitor Arm surgical light	\$ 60,250
Electrosurgical Units	\$ 55,198
Aggregate, individual items under \$50,000	\$ 482,810
Subtotal	\$ 1,826,054
GI Motility	
Digital Manometry	\$ 134,161
Manometry system, w trolley	\$ 123,379
Main medication dispenser	\$ 37,077
Patient Monitor	\$ 26,128
Aggregate, individual items under \$25,000	\$ 143,035
Subtotal	\$ 463,780
Total	\$ 8,168,514

Other Capital Costs \$820,000

IT (\$635,000)

Operating rooms and MRI's typically have heavy integration with technology and require specialized equipment. It is also anticipated that some existing OR integration systems will need to be updated to accept some newer technology and those costs are included in this budget

Artwork (\$100,000)

Ann & Robert H. Lurie Children's Hospital of Chicago has a standard regarding the environmental graphics that will be maintained in these modernizations. Lurie Children's is committed to have the best patient and family experience in all clinical spaces and artwork is a key component.

Signage (\$85,000)

Due to the impact of modernization within an existing facility, not only do all the new spaces need new signage, but a large portion of existing wayfinding signage will need to be updated throughout the facility, outside of the areas impacted by construction.

D. Project Operating Costs

Estimated Project Start Up Operating Cost (first full year) \$ 225,258

Project Direct Operating Expenses – 2 years after project completion (Year 2026)

	Project
Total Operating Costs	\$232,015
Equivalent Patient Days	180
Direct Cost per Equivalent Patient Day	\$1,287

E. Total Effect of the Project on Capital Costs

Projected Capital Costs – 2 years after project completion (Year 2026)

	Project FY 2026	Total hospital FY 2026
Equivalent Patient Days (All Lurie Children's Hosp)		417,759
Total Project Capital Cost	\$27,741,365	
Useful Life	15.5	
Total Annual Depreciation	\$2,280,290	\$98,992,000
Depreciation Cost per Equivalent Patient Day	\$12,651	\$237

SECTION X. CHARITY CARE INFORMATION

Since 1882, Ann & Robert H. Lurie Children's Hospital of Chicago's (Lurie Children's) mission has been to improve the health and well-being of all children. Lurie Children's is the State of Illinois' primary partner in bringing high quality and accessible health care to the most vulnerable children. As the State's only freestanding, acute care children's hospital, Lurie Children's treats more children insured by Medicaid than any other Illinois hospital.

Lurie Children's is steadfast in its commitment to care for all children and families, despite reimbursement the Medicaid program provides the hospital and its physicians. In FY 2021, Lurie Children's was reimbursed \$162.4 million less than the <u>actual cost</u> of providing Medicaid services to children.

Lurie Children's has a robust financial assistance program that is widely publicized and available to patients at any time. In FY 2021, 1,661 individuals applied for financial assistance. 93% of these applicants received financial assistance. Eligibility for financial assistance from Lurie Children's is based upon a family's income as compared to national poverty levels. In general, the relatively few applicants who were not approved for such assistance failed to provide documentation of income and financial resources to demonstrate eligibility.

The primary reason Lurie Children's does not receive more requests for financial assistance is that the State of Illinois has established nearly universal health coverage for all children who reside in the State through its Medicaid/All Kids programs. Lurie Children's assists the Illinois Department of Healthcare and Family Services by enrolling children who require inpatient services and who qualify for Medicaid/All Kids.

Consolidated Medical Center	2019	2020	2021
Net Patient Revenue	1,103,151,786	1,090,283,004	1,141,149,793
Charity Care	9,247,643	13,112,126	5,470,956
Cost of Charity Care	4,685,225	4,649,996	1,873,129
Ratio of Charity Care Cost: Net Patient Revenue	0.0042	0.0043	0.0016

Hospital Only	2019	2020	2021
Net Patient Revenue	917,225,477	889,202,081	914,817,591
Charity Care	6,065,076	9,922,209	3,920,720
Cost of Charity Care	1,703,152	2,920,657	1,094,878
Ratio of Charity Care Cost: Net Patient Revenue	0.0019	0.0033	0.0012

Attachment 39

1. Applicant: Ann & Robert H. Lurie Children's Hospital of Chicago.

APPLICATION FOR PERMIT- 01/2022 - Edition

225 E. Chicago Avenue

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is located in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

	Chicago	(Name)	IL	60611	(Address)	312-227	-4000
-	(City)	···	(State)	(ZIP Code)	(Telep	hone Nur	mber)
2.	Project Location	: <u>225 E. C</u>	Chicago Avenue			Chicago	IL
			(Address)			(City)	(State)
		COOI (Count		/Townshir	p) (Section)		
3.	Center website (a map, like that	a small map (https://msc shown on p iplain map	p of your site sho c.fema.gov/portal page 2 is shown, by selecting the	owing the FEMA floodplain (I/home) by entering the acceptance of the Go To NFHL Notes icon in the top corner (I/home)	n mapping usin Idress for the p /iewer tab abo	property inverted the market the	the Search bar. If ap. You can print a
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If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

flooded or be subject to local drainage problems.

Jational Flood Hazard Layer FIRMette





Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

Without Base Flood Elevation (BFE) Zone A. V. A99

With BFE or Depth Zone AE, AO, AH, VE, AR Regulatory Floodway 0.2% Annual Chance Flood Hazard, Areas depth less than one foot or with drainage of 1% annual chance flood with average areas of less than one square mile $z_{
m one}\,x$ Area with Reduced Flood Risk due to Future Conditions 1% Annual Chance Flood Hazard Zone X Levee. See Notes. Zone X

NO SCREEN Area of Minimal Flood Hazard Zone X

Area with Flood Risk due to Levee Zone D

Area of Undetermined Flood Hazard Zone L **Effective LOMRs**

Channel, Culvert, or Storm Sewer STRUCTURES | 1111111 Leves, Dike, or Floodwall ! GENERAL

Cross Sections with 1% Annual Chance Water Surface Elevation Coastal Transect 227

..... 111 Base Flood Elevation Line (BFE) Limit of Study

Coastal Transect Baseline Jurisdiction Boundary

Hydrographic Feature Profile Baseline

Digital Data Avallable

No Digital Data Avallable

The pin displayed on the map is an approximate point selected by the user and does not repress an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap

The flood hazard information is derived directly from the The flood hazard information is derived by FEMA. This Real authoritative NFHL web services provided by FEMA. This Real was exported on 5/14/2022 at 10:40 AM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change of become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear. besemap imagery, flood zone labels, FIRM panel number, and FIRM effective date. Map images for legend, scale bar, map creation date, community identifiers, unmapped and unmodernized areas cannot be used for regulatory purposes

- Data refreshed October. 2020

2 000

Unmapped